

A USEFUL LOOK AHEAD FROM WASHINGTON

JANUARY 1972

# Nation's Business



J. EDGAR HOOVER  
SPEAKS OUT

*Ken  
See  
Folder*

# Front disc brakes standard

## on the trucks that last a long time

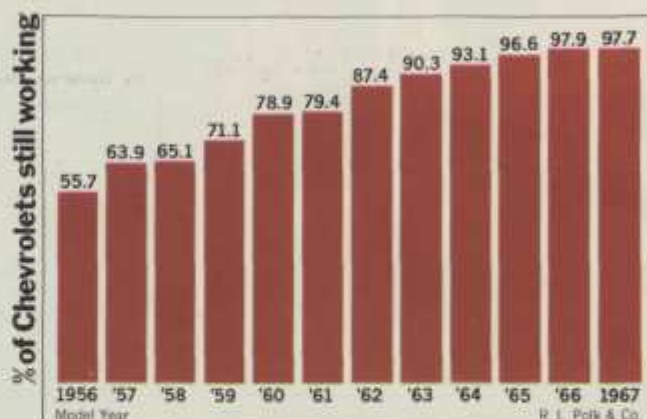


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Cover photograph by Yoichi Okamoto

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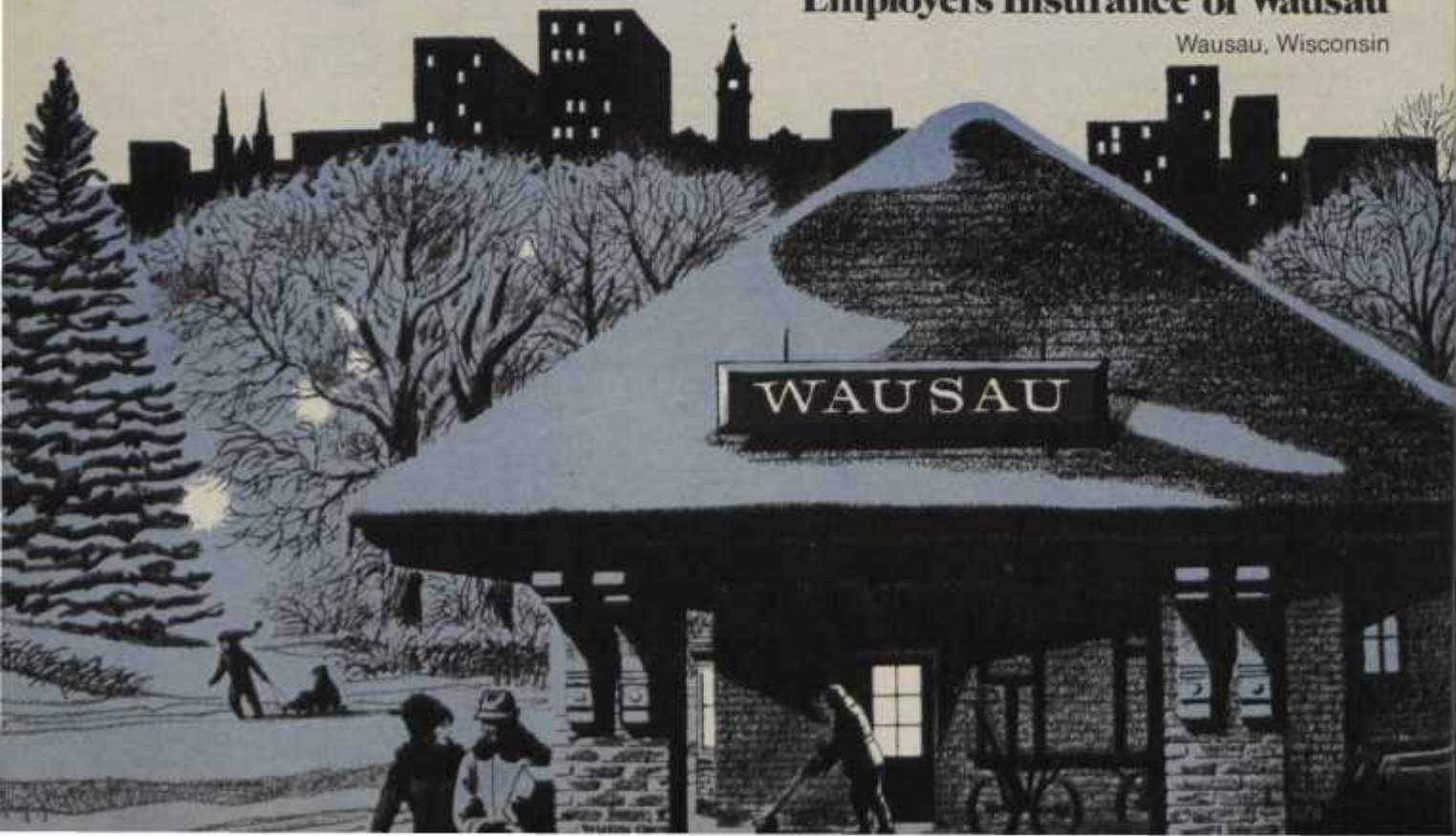
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# Memo From the Editor

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If you are a reader of *Time* magazine, you may have noticed a month or so ago that its "Letter from the Publisher" reported on a unique expedition taken by 20 members of its New York staff.

These guys and gals—writers and reporter-researchers who produce the "Nation" section of *Time*—took a two-week trip to Washington.

Of course, *Time* has a formidable Washington bureau, but the magazine considered it good business for the people who actually write and judge Washington goings-on to take a look in person.

The publisher quoted Senior Editor Jason McManus as saying afterward: "Many of these Washington newsmakers are now three-dimensional personalities for us in a way they were not before."

It would be downright inhospitable for us not to extend a friendly greeting to these newcomers who have discovered "our city." Ever since *Nation's Business* was founded, in 1912, our editors, reporters and writers have been located here in Washington. So it hadn't occurred to us that there was anything special about journalists seeing our fellow Washingtonians in person.

We have an advantage, of course, not only in our being located in the nation's capital but in our relationship with the Chamber of Commerce of the United States. The National Chamber also has been operating in Washington since 1912, when it was founded at

the behest of President William Howard Taft to speak on behalf of business in the halls of government.

Since the Chamber is in constant touch with thousands of businessmen throughout the country, and also with the leaders of government, we get an insight into business-government relations that would be extremely difficult to come by from an office in Rockefeller Center in New York.

• • •

Being around Washington all the time gives us plenty of opportunities to get different perspectives.

There has been a great deal of criticism in the past few years of J. Edgar Hoover, much of it by people who have never seen him. But in three dimensions, he is an interesting and warm human being. So we were delighted when he agreed to a private on-the-record discussion with Managing Editor Wilbur Martin and me. Our report starts on page 32.

Mr. Hoover's staff was amazed that we stayed in his office some three hours—he has never agreed to interviews in such depth. The staff was equally amazed at his willingness to permit our photographer, Yoichi Okamoto, to shoot him for what seemed, even to me, an inordinate amount of time.

Jack Wooldridge

Steve [see Hoover]

Mr. Wooldridge (left), Mr. Hoover and Mr. Martin.





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## Letters

### Dues in Politics: A Loud "Don't"

• Re the response [December] to your "Sound Off to the Editor" question, "Should compulsory union dues be kept out of politics?"

I am an active-duty Army officer, completing requirements for a degree in business administration at the University of Tampa. This semester I am enrolled in a labor relations course which is concerned not only with the union movement and labor-management relations, but with applicable legislative and judicial actions and politics.

All University of Tampa students taking the labor relations course this semester were asked your question. Here are the results:

Of the 88 students surveyed, 69 responded in the affirmative and the remaining 19 in the negative.

In the Yes group, 26 listed themselves as full-time students, seven as employed by local law enforcement agencies, nine as being full-time employees in other fields and 25 as being in the military. Two listed no occupation.

In the No group, four listed themselves as full-time students, four as full-time employees, and nine as being in the military. Again, two listed no occupation.

Additionally, 25 in the Yes group indicated they were now, or had been, members of a labor union. Four in the No group indicated a present or past union affiliation.

The average age of the Yes group was 26.9 years, and of the No group, 29.7.

JEFFREY H. THOMASON  
Captain, United States Army  
Tampa, Fla.

#### Prestige pay for execs?

• Robert E. Sibson's article "Executive Pay—the Long Term Is Where the Action Is" [November] was very informative but he is oversimplifying one major point.

Johnny Carson is indeed paid according to his Neilsen rating but also because NBC desires to maintain a stature as No. 1. Willie Mays used

to be paid according to his playing ability but in the past few years the amount of his pay has depended more on his fan appeal and drawing power, and the fact that he is No. 1.

To shift to a loose analogy in the business world, large firms—especially those that are No. 1—need to compensate some executives, not on their performance (which is difficult to measure) but on their prestige.

While it is organizationally unsound, this is also why our financial and industrial giants "need" so many tiers of management. Marketing directors now do what sales representatives used to do; vice presidents now do what assistant vice presidents used to do; research consultants now do what analysts used to do, etc.

Things aren't always what they seem to be.

VINCENT R. CERIELLO  
Assistant Vice President  
Manager, Planning  
Bank of America  
San Francisco, Calif.

#### Myths and miffs

• William F. May, chairman and president of American Can Co., writes in your November issue ["Return to Cave and Candle?"] that: "Most Americans are fair-minded. Given full and correct information, they will judge correctly. But it isn't always given to them."

A prime example of an ill-informed writer making an accusation is Mr. May when he says: "Farmers are major polluters; their agricultural wastes, pesticides, herbicides and fertilizers pass into our streams and lakes, killing our fish."

A man who sets about debunking the most prominent myths of any industry certainly damages his credibility with such—as he states it—"wild accusations . . . (which) can only distract us from stopping the appalling waste and destruction of the environment and resources on our planet."

MERLE E. SHEETZ  
County Extension Agent, Agriculture  
Licking County  
Newark, Ohio



## Enlightenment on youth

• Credit where credit is due! On this note, let me congratulate you on the excellent "Panorama" item, "Taking a One-World Approach to the Young" [October].

So much negativism is directed at youth and young adults in these days that such an enlightened article in a leading national magazine deserves appropriate commendation.

CECIL P. E. POTTIEGER

Board of Missions of The United Methodist Church  
New York, N. Y.

## Bigness spawns problems

• Re the November letter to the editor headlined "Why Tie Wages to Productivity?"

How else can it be done? This grand young nation of ours was built on incentive. The one who cuts the most wood is going to be warmest.

I have visited foreign countries (not Russia) and the only thing I noted in which they may have an edge on the U. S. A. is law enforcement. They don't slap wrists or coddle.

I think free enterprise as we know it has been or is being terminated. Bigness spawns problems. Large cities, conglomerates, state and federal governments, all have bigness problems. We little people in little towns do not have big problems yet, but they are coming.

It will be difficult to take privileges away from this generation. It cannot be accomplished overnight. Changes

will have to be a little at a time in the form of price controls, etc.

However, the next generation will be educated to accept things as they have to be.

A. E. KENYON

President  
A/E/K Corp.  
Hartford, Conn.

## Does Meany really mean it?

• Recently, George Meany, labor's "chief executive," made a statement to the effect that strikes do not affect the economy of this nation.

I do not know how Mr. Meany comes to that conclusion, considering that miniscule businesses such as mine have been dealt a powerful blow this year courtesy of unions.

Last year we made it through the assorted truck strikes. This year is down from last year, as IRS returns will support after next April 15, due to the shipping strike. Without a variety of merchandise to appeal to the public, sales decrease.

In light of my experience, multiplied thousands of times across the U. S., I must say that "Meany doth protest too much." Falsely!

MRS. ANN VARIAN  
Ann Varian Optical Shop  
Lake Placid, N. Y.

## Adding up accountability

• Re "It's Time For 'Accountability' in Education" by Dr. Leon Lessinger [August].

While Dr. Lessinger is correct in some of his conclusions, I'm afraid he has led many people on a winding

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## Letters *continued*

path with others. It seems only reasonable that equal time be allowed for the other side.

Dr. Lessinger suggests that under accountability and performance contracting, education could begin to measure "objectively" the "output" of educational effort, both on the part of the student and the teacher.

To suggest that an industrial and systems output measure be applied to education, using the same criteria for evaluation, is to make what seems a poor comparison. A machine does not offer the same variables that affect personalities.

Electricity as a fuel for operation can be measured and controlled. You can kick a machine and it will continue to function.

But try to help a student to learn when he is hungry, or kick him, and see what kind of motivation you get. You would find a difference in "output."

The schools may very well be spending more money than before, but, then so are industry and the public. What percentage of the increased educational expenditures Dr. Lessinger reports—\$6.5 billion in 1947 to \$68 billion in 1969—represents the inflationary factors resulting from industry?

How much of the school population growth—and the necessity for new buildings, more materials, more furniture, etc.—is reflected? How much of this reflects the additions of vocational centers for education?

Accountability needs to be applied to more than just the child or the teacher.

While education does have problems, at least they are recognized. We have millions of "experts" to assist us in our search for solutions.

After all, anyone who has been "educated" is an "expert" in education.

We'll keep trying, Dr. Lessinger, but God help us if we turn out walking memory banks, incapable of synthesization of content or taught not to think nor ask questions. Hopefully, these students will learn to ask questions of no less a personage than yourself.

DR. ROBERT VAN WOERT  
*Director, Student Teaching & Certification  
Associate Professor of Education  
Montana State University  
Bozeman, Mont.*



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The opportunities are great in British Columbia . . . for industries that believe the need to conserve is just as important as the right to make a profit.

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## Government of the Province of British Columbia

Department of Industrial Development, Trade, & Commerce  
Parliament Buildings, Victoria, British Columbia, Canada  
Hon. Waldo M. Skillings, Minister

In California, contact our Industry & Trade Commissioners at:  
British Columbia House, 8833 Sunset Boulevard, Los Angeles,  
Calif. 90069; 599 Market Street, San Francisco, Calif. 94105.



## The COC: Answer to an SOS on a Small Company's Bid

As the nation converts from a wartime to a peacetime economy, the federal government is cutting back on military spending. Last year alone, reductions amounted to \$1.5 billion.

One effect of the cutbacks is a shift in emphasis in government procurement. Competition for government contracts is sharpening dramatically.

Small firms, particularly, are finding it difficult to obtain federal contracting work.

It is more important than ever, therefore, that they be alert to assistance the U. S. Small Business Administration can provide in assuring that they obtain a fair share of government contracts.

One of the most effective methods SBA uses to deal with this problem is certification of the capability of small companies.

SBA's Certificate of Competency program goes into operation whenever it receives an appeal from a small company whose low bid on a government contract is rejected because of questions about the firm's financial or productive capability.

When a contracting officer proposes to reject the bid of a small business because he questions the company's ability to fulfill a specific contract, he must—under federal regulations—refer the case to SBA.

SBA then contacts the company to offer it an opportunity to appeal the adverse decision.

Submitting an application for a Certificate of Competency does not automatically insure that one will be awarded. But it does assure the small firm that its case will receive a fair and sympathetic hearing.

Most important, however: If after making a thorough investigation SBA is convinced of the firm's capability, and does issue a COC, the contracting officer must award the contract to the firm.

Responsibility for the COC program is vested in a specialized team of SBA engineers and financial specialists.

When a small firm appeals, SBA notifies the contracting officer and requests a brief delay in awarding the

contract. SBA's team immediately begins its investigation of the firm's capability to perform the contract, checking many factors.

If SBA's findings are negative, the firm and the contracting officer are notified that a COC has been denied.

If the decision is affirmative and the procurement is less than \$250,000, the director of the SBA regional office in the area where the firm is located immediately issues a COC. If the contract exceeds \$250,000, the recommendation and supporting data are forwarded to SBA's central office in Washington, where a review committee makes the final decision.

After a COC is issued, SBA still plays an important role. It keeps a close watch on the firm's progress in fulfilling the contract. Periodic reports are required from the firm, and plant inspections are conducted. When needed, additional SBA assistance is provided. This could include financial support as well as technical or managerial aid.

Occasionally, a small firm—in its anxiety to obtain the work—underbids a contract. Issuance of a COC and award of the contract to a firm under these circumstances could lead it into bankruptcy, delay important government procurements and waste taxpayers' money.

Consequently, SBA is very judicious in issuing COC's. Less than 4 per cent of firms receiving them have failed to complete their commitments.

The taxpayer, as well as the small businessman, benefits from the COC program.

It assures the government of getting a needed product or service at the lowest price. From 1953, when SBA was organized, through fiscal year 1971, 3,357 contracts, with a dollar value of \$633 million, have been awarded under the program.

The difference between the award prices of these contracts and the second lowest bid prices represents a saving to the government of more than \$54 million.

Further details on the Certificate of Competency program are available from any one of SBA's 74 field offices.

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# Executive Trends

BY JOHN COSTELLO  
Associate Editor

- Analyzing annual meetings • Outlook for M.B.A.'s
- Salesmen's pet peeves • What boards can do

**How to improve your annual meeting.** Skip the lunch—but dish out more facts.

That sums up two tips financial analysts offer.

Robert S. Taplinger Associates, Inc., a Manhattan financial PR firm, asked analysts how good they think the annual meeting is.

Nearly 600 replied to its questionnaire, although not all answered all questions.

Most (more than 11 to one) said don't eliminate it. But many (five to one) said it should include other material—films, slides, product displays—in addition to the annual report and proxy statements.

"In general," they were asked, "does management discuss the company's prospects adequately?" The answers:

- Most of the time—111.
- Sometimes—276.
- Rarely—147.
- Never—three.

Most financial analysts (360) said they come mainly to hear what management has to say. Meeting the corporate brass is of next importance (288).

Don't serve lunch, they agreed (five to one), or furnish transportation.

What companies "consistently present well-planned and executed annual meetings," they were asked. Almost 300 companies were mentioned, these most often:

Polaroid, Eastman Kodak, IBM, General Electric, Gulf Oil, Consolidated Oil & Gas, General Motors, Gerber Products, Xerox, Texaco, Singer, Anheuser Busch, RCA, American Telephone & Telegraph, Cummins Engine and J. P. Stevens.

## What turns salesmen off

"Prizes and awards," one expert claims.

"A lot of salesmen," says Robert

Janson, senior associate, Roy W. Walters & Associates, Inc., management consultants, "privately call them dumb-dumb incentives."

His firm, in a recent survey of salesmen, asked for their pet peeves. High on the list were what salesmen called:

- Stupid contests.
- Meaningless reports.
- Lack of authority.
- Scanty home-office support.
- Poor reporting on personal performance.
- Lots of criticism but small commissions.

Communication with the home office should be a two-way street, Mr. Janson says.

"Salesmen," he adds, "are like ships. They're noisiest when lost in a fog."

## For M.B.A.'s, the outlook's cloudy

No worse than last year—but no better, either.

That's the job availability outlook for M.B.A.'s in '72.

"Starting salaries will also be about the same," says John A. De Pasquale, president, executive research division, MBA Enterprises, Inc., New York City.

"Namely, about \$14,500. And that's a mean for graduates of top schools. For other graduates, the mean's about \$1,500 to \$2,000 lower."

M.B.A.'s aren't being courted like they were two years ago, he says.

"In 1968 and 1969, they were getting an average of 4.7 firm offers per graduate. Last year, it was about 2.1 to 2.3 offers.

"This year, it'll be closer to 2 even."

Job prospects hinge, of course, on the economy.

If it picks up fast, so will the demand for M.B.A.'s.

"But, if anything," Mr. De Pasquale says, "it seems to be getting

up steam slower than forecast." The M.B.A. most in demand, he adds, "will be one who has worked and has a specialty—a guy with proven talent."

## Career consultants— help or hindrance?

That question is raised by the Council of Better Business Bureaus, Inc. It estimates that more than 400,000 executives are jobless—up 74 per cent from two years ago.

To many of them, it says, looking for a job is a new as well as a painful experience.

Often, it says, they even confuse executive recruiters or search firms with employment agencies—which are quite different.

The Council, in its useful booklet, "Who Does What in Executive Search—A Guide for Job-Hunters and Management," offers definitions:

- Executive search firms.

Also known as executive recruiters. They're hired by a company or corporation to find a man to fill an executive slot. The company pays their fees.

They don't accept job-hunters as clients. They may accept a resumé. And with luck, it may exactly match a job they've been asked to fill. But that's an awfully long shot.

- Executive career counselors.

Their client is the job-seeker. You usually pay their fees. These vary widely—from about \$25 an hour to a fixed sum of several thousand dollars.

"They can't guarantee you a job," a Council spokesman says. "And you pay their fees whether or not they find you one."

"They charge you for the services they provide."

That's where most complaints arise, the Council says. Too often, the jobless executive fails to nail down what he gets for his money.

"Before you sign," the Council





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Especially considering what you get for your money! A coil-spring ride, computer-matched to the car's weight and equipment. A responsive, pollution-fighting Rocket V-8 that runs on no-lead, low-lead or regular gas. A strong, tight Body by Fisher, with tough side-guard beams in every door for added protection.

And for your investment-protection, Cutlass has Positive Valve Rotators that help provide smooth engine performance, more trouble-free operation. Bias-ply, belted tires for long tread life. Aluminized muffler and tailspout. Rust-resisting

front fender inner liners. An anti-corrosion battery. New heavier finned front-brake drums for cooler operation and improved heat dissipation.

One last point about your investment. Trade-in value. Here, Cutlass stands on its record. A rather enviable one.

The Oldsmobile edge. Yours in a Cutlass S. And if it gives you an unfair advantage, we'll have to admit we planned it that way.

WAVE OF EXCELLENCE

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ALWAYS A STEP AHEAD



advises, "investigate the firm and the terms of the contract."

Here are some guidelines the Council offers:

- Demand unmistakable evidence of results.
- Ask to see materials the firm has prepared for former clients with a background like yours.
- Get references from former clients it has handled.
- Get a clear-cut description, in writing, of what the firm will and won't do, what it will cost you and how long the contract runs.

"A reputable firm will be glad to do that," the Council adds.

"And only a reputable firm will really be much help to you."

### What every board member should know

Just been elected to your trade association's board?

That's flattering.

But there are some things you should know. For example:

- What decisions the board can make—and can't.
- When to use outside investment counsel.
- Why you should file an annual report.
- How to limit your liability for board decisions.
- Where to get the answers to these and other relevant questions.

One of the best places to find them has to be a new book, "The Law of Associations." It's an operating legal manual for association executives and counsel.

The 569-page tome covers everything from the history of associations to how to handle dissidents at meetings.

Commerce Secretary Maurice H. Stans, in the foreword, says it "is the most complete volume of its kind. It covers all legal aspects relating to association management."

There's one doctrine of prime importance in nonprofit organizations, says author George D. Webster.

It is, he says, "that the legal entity, not the board, is the holder of legal power. The board has the power and duty to carry on the ordinary busi-

ness of the association—but no more.

"In other matters, the will of the general membership must prevail."

The book (\$19.95) is published by the American Society of Association Executives. Author Webster is ASAE's general counsel.

### So you're going to a convention

If so, here are some tips.

- Don't ask the hotel for a buddy's room number. The information clerk will ring it for you. But usually she won't disclose it. That's confidential information—for the protection of all guests, including you.
- Allow room service a reasonable time to fetch your order. Say an hour for food service, and about half an hour for drinks.
- Leave your room key at the desk when you go out. Carrying it with you invites trouble.
- Check with the doorman before you leave a hotel after dark. He can clue you in on crime-ridden areas to avoid.
- Shun night spots, unless you've checked them out with the doorman, bell captain or a friend. You can get cleaned in a clip joint.
- Don't assume you can stay an extra day. The hotel may have another convention booked right behind you. And even if it can accommodate you, check on the price of the room. It may be more than your convention rate.

That's the advice of a veteran conventioneer, Jack R. Morris. He has boiled it all down in a paperback book, "How to Survive a Convention—With or Without Your Wife," (\$1.25), published by Droke House, Atlanta, Ga.

"There's a need for advice," he says.

"Some 15 million Americans, usually businessmen, attend conventions every year."

### Who's who and what's what in ecology

Air pollution can cost a bundle. In fact, it can shut you down.

That's what it did to one of the Bishop Processing Co.'s plants.

Neighbors kicked about the company's rendering plant in Bishop, Md.

"It's too gamy," they squawked.

The gripes came from Selbyville, a mile away, in another state—Delaware.

Federal abatement conferences, held at the request of Delaware officials, laid down recommendations the Maryland firm couldn't meet.

So the Justice Department sued—and won a consent decree.

"Any more beefs," the decree said in effect, "and you'll have to close down."

Selbyville still grouched, and the court padlocked the plant.

Moral: Federal antipollution laws hold more pitfalls than you may realize.

For example, violations of the Clean Air Act of 1970 are punishable by fines up to \$25,000 a day, or a year in jail. A second conviction ups it to as much as \$50,000 daily—and two years behind bars.

Any conviction makes the "facility" ineligible for a government contract.


Washington isn't the only cop enforcing this law. Any citizen can hale you into court.

Because antipollution laws are a new headache, guides to their ins and outs are scarce. One that's in print: "Your Government and the Environment" (\$9.95) published by Output Systems, Box 2407, Arlington, Va.

It digests antipollution laws and penalties and gives names, addresses and phone numbers of state and federal enforcers.

Says the federal government's Environmental Protection Agency: "It is a timely, well organized compilation of environmental facts, and a real time-saver."

**Your Fair Share  
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## Fishermen Strike It Big at Oil Rigs

Sportsmen have found a piscatorial paradise around some of the 2,000 man-made fishing reefs that dot Louisiana coastal waters in the Gulf of Mexico.

The reefs are really drilling platforms built at tremendous cost—not to attract fish but to bring to the surface precious oil, gas and sulphur.

In the quarter century since man found ways to tap mineral riches beneath the sea, oil companies have invested some \$7 billion off the Louisiana coast.

While these waters have long supported huge quantities of game fish, they have never provided the kind of reefs and shallow banks where the fish naturally gather to breed and grow.

It wasn't long after Humble Oil & Refining Co. built the first of its multimillion-dollar drilling platforms about eight miles offshore that men in the drilling crews discovered they were sitting atop some of the best fishing in the Gulf. Fishermen can't keep secrets and in time the rallying



*The platforms have been called the world's most costly fishing lures.*

call became: "They're catching 'em around the rig."

Capt. Charles Sebastian of Grand Isle, La., one of many charter boat skippers who cruise the waters around

drilling platforms, says: "Each of these platforms is like a brush pile in a lake, except that it's made of steel. As soon as the underwater columns are in place they begin accumulating barnacles, moss and other marine growths. These attract small fish. The big fish which feed on the little fish aren't far behind."

Marine biologists disagree on why fish are drawn to these unnatural reefs.

But there's no question that the fish have found something they like or need at the rigs, and tend to concentrate around them.

Some species of tropical fish not previously found in the Gulf are now being caught there. It is not unusual for a charter boat to come in from a day at the rigs with hundreds of red snapper, bluefish, sea trout, Spanish mackerel, king mackerel and other species.

The rig waters offer another advantage to anglers—night and day fishing. By law, natural gas which is not captured must be burned. The flames draw more fish to the rigs. And where there are fish there usually are fishermen.

## Building for a Bright Future in Construction

Can a son tell whether his talents qualify him to follow in Dad's footsteps? Fails Management Institute in Raleigh, N. C., is helping answer that question.

Fails, which lists itself as the only firm in the country that specializes in management services to the construction industry, has launched five-day workshops for young people who are interested in construction management.

In the first such workshop, held last fall, more than 60 students—from 26 states and ranging from 15

to 29 years old—enrolled. About two thirds were sons of construction executives, though the workshops are open to anyone.

The youngest enrollee—a high school student—wanted to make sure that following his father in construction was really what he hankered for in life.

The course at Fails will help him make up his mind.

Said Dr. Emol A. Fails, an economist and president of the Institute:

"Management education is the answer to the future in the construction industry. This is the first workshop uniquely programed for youth ever held in the field of construction. Our country's continual growth places

great demands on the contractors and they in turn must demand bright young management talent."

Most of the young men who sign up for the workshops already are on construction jobs or in college preparing for construction careers.

They are exposed to in-depth discussions of construction management, ranging from reading blueprints to how to get along with people.

"These young men," explains Robert Andrews, Institute director, "are aware that education is the answer not only for top-level management but also for second-level men such as superintendents, supervisors and foremen."

*continued on next page*



*See on  
Historic  
Heron  
Photos*

## Woodland Trails to the Historic Past

Many colorful chapters of America's past will come alive again on some of the 1,700,000 acres of Union Camp Corp. woodlands in six Southeastern states.

After an exhaustive study of the history of the areas involved, the diversified pulp and paper company is getting ready to establish a series of heritage trails on its properties.

"Union Camp is determined that those sites of timeless interest to all will not be torn down, paved over, or otherwise erased from the pages of living history," says Alexander Calder Jr., company president.

"In some places, the American past lies buried; in others, its outlines are almost unaltered by time. But everywhere it is a record of infinite value, richly worth reading. Unlike our museums, these sites are still alive; they contain not only relics of the past, but the actual backgrounds against which our history was written."

Some of the sites are now inaccessible. When the heritage trails are



*This structure on Union Camp woodlands in Alabama is believed to have been part of an outpost where early traders bartered with Creek Indians.*

completed they will be open to the public, many of them with facilities for camping, picnicking, hunting, fishing and other recreation.

Within the first Georgia timberlands acquired by Union Camp is the homesite of Lyman Hall, about 25 miles south of Savannah. Dr. Hall was a signer of the Declaration of Independence.

An Indian mound, estimated to be 2,000 years old, was found near Montgomery, Ala. And on a company tract near Savannah, archeologists

have uncovered artifacts from a 10,000-year-old Indian settlement.

"There is much to be done yet to uncover and catalog everything—from fossilized seashells to beaver ponds, from eagles' nests to prisoner of war camps—that's in the vast storehouse of history in Union Camp woodlands," Mr. Calder says.

"But we've made a beginning in a long-range plan intended to benefit generations of scholars, visitors and others interested in the restoration and preservation of the historic past."

## Hooking Students on the Classroom

Students at a suburban high school were having trouble understanding "Silas Marner" until the teacher came up with a new approach to making the literary classic meaningful.

With a duplicating machine, the class printed a newspaper that might have fitted in Silas' time—an imaginary "Town Crier" with news and editorials, a sports section, letters to the editor, advice columns and comics.

Interest perked up sharply and Silas Marner became a hit.

At another school a teacher found a way to increase interest and retention in geography. She appointed each student a "minister of tourism" for a particular country and had him prepare his own travel folder.

The project was a hit. Interesting

facts were gathered on each country; then pamphlets were prepared and reproduced on a duplicating machine. Each "minister" made a presentation in front of the class, using a pamphlet to encourage tourism in "his" country.

A. B. Dick Co., a Chicago office equipment manufacturer which supplies duplicating, audio-visual and instructional systems products to schools, has compiled nearly 1,000 case histories similar to those above to show how student involvement can be heightened when teachers break away from regimented teaching patterns and try to create a livelier curriculum.

"Our experience in working with school systems all over the country is that when the student begins to feel he is making some of his own decisions and contributions he stimulates greater thinking and under-

standing, both in himself and among his classmates," says George Jensen, A. B. Dick's marketing manager for education products. "The teacher in effect is the catalyst that speeds—and holds—involvement."

The company believes that use of office equipment—combined with the teacher's own creativity—can stimulate today's better-informed student to freely express his ideas in a lively classroom atmosphere rather than in campus demonstrations.

"Once the student is hooked on classroom involvement, he's likely to stay involved," according to Mr. Jensen.

"He finds it exciting to be part of a creative process and, in some cases, even lead that process—and he'll find it easier to express and exchange ideas with adults and fellow students in a manner that frees, rather than stifles, creativity."



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# The Univac 9700.

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The UNIVAC 9700 redefines what a medium-scale computer system should be.

It introduces new and more competitive standards of performance against price.

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Consider the ease of moving into it.

For UNIVAC 9000 users, of course, it is upwardly compatible.

For IBM 360 users, it provides a smooth transition to increased performance. Their present source language software is converted for use on the 9700, at no charge to them, in one of a worldwide network of customer support facilities.

Consider the price.

The UNIVAC 9700 is bundled. The one visible price includes installation assistance, education, systems engineering support, recompilation of programs and advanced new software. There are no hidden charges for "extras."

The 9700 gives you a lot to consider, and a Univac representative will be happy to show you how this new medium-scale computer can enhance your operations.

Find out what we mean about the 9700's new standards of performance against price. You can't lose.



## UNIVAC 9700

The System for the Seventies

SPERRY RAND



## Sound Off to the Editor

### Is Class Action a Fair Remedy?

Is class action a fair remedy for the consumer with a beef against the businessman?

Just about everyone agrees that consumers—individuals or businesses—should have a means of getting their money back, within a reasonable length of time, in case of fraud.

But there is debate on what the means should be.

Some people argue strongly for the class action lawsuit.

Class actions already can be filed in federal courts, if the claim is for more than \$10,000 or the case involves citizens of different states, of different countries, or a combination of the two.

Now, legislation before Congress

seeks to drop that \$10,000 minimum all the way to \$10—opening the way, conceivably, for a single business to be sued by millions of consumers.

Advocates of such a change claim it is needed because legal fees tend to be too high now for individual consumer lawsuits when relatively low amounts of damages are involved.

They also say class actions are a necessary device for regulating the marketplace. Opening the floodgates for such lawsuits would, they say, have a positive effect on business behavior and be preferable to merely strengthening existing consumer protection measures.

Those who oppose class actions answer that such suits strike hardest

(and unfairly) at legitimate businessmen and not at the fly-by-nighters who commit the frauds.

They also note that the proposed legislation wouldn't help in the most common type of consumer complaint—involving one person and one supplier. It would be preferable, they say, to use mandatory private settlement plans and governmental class actions, and to strengthen small claims courts.

Also, they suggest extending Federal Trade Commission authority to cover state and local cases, and authorizing the FTC to seek preliminary injunctions from the courts to halt ongoing deceptions quickly.

What do you think? Is class action a fair remedy?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Is class action a fair remedy?

☐ Yes ☐ No

Comments:.....  
.....  
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.....  
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Name and title.....

Company.....

City.....



# Sound Off Response

## Harassment of the Harried

No is the answer of two out of three readers responding to last month's "Sound Off to the Editor" question: "Should all service-type businesses be licensed?"

That is not to say they necessarily oppose any licensing.

Many of the No answers favor licenses for some forms of businesses, particularly those involving public safety.

But again and again, those taking the negative stand cite fears of government control and bureaucracy, whose red tape, they say, can aid rather than hamper the unethical or incompetent businessman.

Some warn that the consumer would be the loser in more licensing, not only in the quality of service but through addition of taxes that would be required to support a larger bureaucracy.

By and large, a number of readers say, the free enterprise system—with the competition it brings—is the proven and best remedy for the bad businessman.

H. L. Conner, division manager of Channing Co., Inc., San Diego, Calif., is like many readers on the Yes side when he says licensing "may not be a total answer, but is possibly a step in the right direction." Competition, he adds, "is the ultimate eliminator, but this takes time. So why not aid the ethical, competent businessman?"

From Fredericksburg, Texas, Kasper Wilke, owner of Community Business Service, echoes the comments in so many No answers when he says: "A license will not stop a businessman from giving bad service. The only thing that will stop bad service is if the consumer will not return for services at a dishonest business."

Kenneth S. Forbes, owner of the Forbes Insurance & Tax Service, of Xenia, Ohio, argues that licensing only benefits those who sell products or services through tremendous advertising campaigns, and that it has never improved performance. "Licensing eliminates legitimate competition and tends to promote inflation by price-fixing," he says.

Dr. R. V. Price, who operates the Price Clinic in Ft. Worth, Texas, also

answers No, though he feels licensing in some businesses is "necessary or at least desirable because of safety factors." In other than those businesses, he says, licensing constitutes "only another unneeded harassment of the harried."

Dr. George L. Murphy, owner of the Murphy Animal Clinic of Kirkwood, Mo., has no quarrel with the basic intent of consumer protection, but votes No because of the specter of more government control, which he says is already "top-heavy."

However, pharmacist Lloyd M. Thompson, owner of Thompson's Drug Store in Robinson, Ill., votes Yes. He thinks both the business and the technician should be licensed. But he tacks on this caveat: "It should be made clear to the customer that the right of free speech and the right to bargain is not a liar's license."

Somewhat in the same vein is the response from Thomas J. Willig, service manager of Phillips Chevrolet in Frankfort, Ill. He favors licensing of mechanics, explaining:

"An owner of a new car can have his car serviced by a so-called 'alley mechanic' and then bring problems created by this back to the selling dealer with claims of a poor product."

Criticism of "mechanics on duty" at service stations is voiced by a number of owners of service stations and other auto service firms. Gene Matson, owner of Gene's American Service in Ruth, Nev., not only favors licensing, but thinks there should be a requirement for written and performance exams.

Many operators of TV repair services favor licensing, but cite a need for protection against fraudulent complaints. Some, such as Gary Drasch, owner of Accurate T.V. Sales and Service in Port Washington, Wisc., see other benefits in licensing. He comments:

"It would put some professionalism in the service business, which I feel might persuade high school graduates to study and enter a trade. It's hard to find good technicians. Servicemen, people, want and need a title—this is a way to earn one."

Edward R. Slone, president of the

Cincinnati Electric Equipment Co., Inc., Cincinnati, Ohio, favors licensing to protect the public and industrial and commercial interests. "All too often," he says, "less than competent individuals are servicing equipment and products to the disadvantage of the owner's financial condition and/or personal safety."

Another Yes voter, Weston K. Solomon of the A and A Lock Co., of Oklahoma City, Okla., thinks licensing would help his industry. "Ours is a small industry, but as it grows the number of incompetent dealers grows with it," he says.

On the No side is Mrs. Mildred Lewis of the Rose Exterminator Co., Kenmore, N. Y., who says there should be no licensing requirement unless enforcement is strict and uniform.

"We have in our area approximately 10 licensed companies and at the same time hundreds operating free as the breeze," she reports. "When we complain, the powers that be tell us to catch the offenders and prove to them they are operating illegally and perhaps they will fine a few."

Another No vote is cast by Branson Gayler, business license inspector for the city of Rome, Ga. He says licensing of nonprofessionals is impractical and shouldn't be required unless absolutely necessary for public safety.

"Some people can't afford high-priced service work and must use mediocre, transient or partially trained service workers," he says. "Nor does licensing guarantee quality workmanship."

Equally on the No side are Joe R. Ross, owner of the Ross Construction Co., of Ft. Myers, Fla., and Charles Schecter, president of Electronic Distributors, Inc., of Muskegon, Mich.

Says Mr. Ross: "Licensing does not promote competence. It would create a perfect setup for union take-overs in small businesses. And union membership does not necessarily guarantee a first-class mechanic."

Says Mr. Schecter: "This merely gives the crook a license to practice thievery on the customer. You cannot legislate honesty."



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# QUARTERLY OUTLOOK SURVEY

## Facing Phase II

Executives find cheer in the new year, but feelings are mixed about what the New Economic Policy means to their own companies

*Have*



*see letter*

**Richard B. Sonne**, vice president and controller, Del Monte Corp., San Francisco, cautiously predicts the nation's economy this year will head "generally more upward, with prices showing only small advances." He expects 5 to 10 per cent better business at Del Monte.

*Have*



**John W. Morton**, president, Cities Service Gas Co., Oklahoma City, expects only a "modest" 2 per cent improvement in his firm's profits in 1972, "based on the assumption that scheduled price increases will be permitted by the Price Commission." He sees only a 1 per cent rise in sales.

*retal this*



**G. E. R. Stiles**, treasurer, A. H. Robins Co., Richmond, Va., says ~~that~~ his firm will spend between 45 and 50 per cent more on capital improvements this year and that profits will go up 12 per cent. He sees the rate of inflation slowing to a "more acceptable" 3 per cent or so.

American businessmen clearly feel that the economy is picking up and will be stronger this year than in 1971. But their responses to a NATION'S BUSINESS questionnaire present a confused picture about the effects of Phases I and II of President Nixon's New Economic Policy on their companies.

Four hundred fifty-one company chairmen, presidents, senior vice presidents and economists took part in the 41st NATION'S BUSINESS outlook survey.

Most see growth in sales and profits, though few look for large boosts in spending on capital improvements.

Here's how they respond to specific questions:

1. *How are Phases I and II affecting your business?*

Ninety-eight report their companies have been helped, 122 say theirs have been hurt, and 204 see

*km*



**D. H. Swanson**, chairman and president, Iowa Power and Light Co., Des Moines, says: "Although general expectation is for an improved economy, there are many clouds on the horizon." He calls for phasing out of direct controls as early as possible. He hopes for 10 per cent better profits.

*km*



**E. Colin Baldwin**, chairman, The Sherwin-Williams Co., Cleveland, says his company will spend 50 per cent more on capital improvements in 1972 than in 1971. His business volume will go up a healthy 6 to 8 per cent and the nation's economy will show "significant improvement."



little or no effect. (Not every executive answered every question.)

2. What do you believe will happen generally to the nation's economy in 1972?

Three hundred ninety-one see the economy taking on strength, 15 see it faltering, and 24 say things will be about the same.

3. By what percentage do you expect sales or volume of your business to change during 1972 as compared with 1971?

Only 16 see sales decreases and 30 see sales holding steady. All the rest who answered predict improved sales, with the majority looking for rises in the 5 to 15 per cent area.

4. By what percentage do you expect your profits to change during 1972 as compared with 1971?

Thirty-three see decreased profits, 77 see profits holding steady. All the rest who answered predict improved profits, and again most say profits will go up between 5 and 15 per cent.

5. By what percentage do you expect your company's total corporate spending on capital improvements to change during 1972 as compared with 1971?

Seventy-seven expect lower corporate spending on capital improvements. One hundred sixty-one expect spending to hold steady. All others responding expect increased spending. The bulk of them look for increases ranging from 1 to 10 per cent.

#### Up to labor?

C. E. Spahr, chairman of The Standard Oil Co. (Ohio), in Cleveland, puts emphasis on labor problems in answering the questions. He writes: "Our problems in coal mining (strikes) appear to be a direct outgrowth of Phases I and II and the result is crippling. In other operations I think we are being helped because prospects of higher costs have been blunted."

Mr. Spahr says the nation's economy will improve "provided we are relatively free of strikes." One factor of particular importance to him is the proposed Alaskan pipeline, which has not yet been approved for construction. "We are heavily involved in Alaskan production operations," he writes, "and will be incurring expenses that cannot be offset by income up there in 1972."

Another company with recent labor



F. Perry Wilson, chairman, Union Carbide Corp., New York, says the 10 per cent import surcharge "had no clearly discernible direct effect on our exports or imports." Currency revaluations had a "detrimental effect on third quarter earnings." His company's volume should rise about 5 per cent in 1972.



R. L. Boorman, director of corporate planning, Kaiser Steel Corp., Oakland, Calif., says: "It will take time to pick up momentum but by the end of 1972 'real' growth will be increasing at an annual rate of 5 to 6 per cent. I would expect 1973 to be better than 1972."



W. H. Seay, president, Southwestern Life Insurance Co., Dallas, thinks 1972 will be "a good or fair year economically." His firm looks for 7½ per cent more business and 10 per cent better profits. Phases I and II, he says, have "slowed down our employee benefit product sales."



James A. Ryder, chairman, Ryder System, Inc., Miami, feels that "the economy will continue to improve, that inflation will be slowed, that business generally will be good." He expects 15 per cent jumps in volume and profits at his own firm, where Phases I and II have been "beneficial."



Roger S. Ahlbrandt, president, Allegheny Ludlum Industries, Pittsburgh, says Phases I and II have affected his company "negatively, if at all." He feels the "nation's economy will be better in 1972 although the rate of improvement is something that many are now concerned about."



## Facing Phase II *continued*

problems is Western Union, which had a long strike in 1971. R. W. McFall, chairman and president of the New York-based communications giant, says business this year should be up 10 to 15 per cent. Western Union plans a 15 to 20 per cent boost in spending for capital improvements.

Something less than raging enthusiasm about the impact of Phases I and II is voiced by top executives at a number of the country's best known corporations. Some sample opinions:

- W. B. Boyer, president and chief executive officer, Republic Steel Corp., Cleveland: "General uncertainty about Phase II has resulted in over-all caution with respect to steel purchases."

- W. H. Moore, Chairman, Bankers Trust Co., New York: Phases I and II are "creating uncertainty and being reflected in hesitation among business firms in making plans and decisions."

- H. Robert Sharbaugh, president, Sun Oil Co., Philadelphia: "The impact of Phase I has been minimal. In Phase II there is danger that decisions of the wage and price controlling bodies will become motivated by political rather than economic considerations."

- Andrew McNally III, president, Rand McNally & Co., Chicago: "Our business will be hurt badly by the new economic plan if already negotiated wage increases are allowed following the freeze, and price increases are controlled."

- S. S. Greeley, president, Masonite Corp., Chicago: "Slight adverse effect."

- W. L. Wearly, chairman, Ingersoll Rand Co., New York: Phases I and II have "currently resulted in a 10 per cent decline" in his business. He adds: "I favor Phases I and II but the program must be firmed up to restore confidence."

- George T. Scharffenberger, president and chief executive officer, City Investing Co., New York: "Phases I and II are not affecting our business except in a modest degree in connection with pricing of some of our products, which pricing afforded less than desirable profit margin at the time of the freeze."

- Walter S. Holmes Jr., president and chief executive officer, C.I.T. Financial Corp., New York: Phases I and II have affected his business "in

no significant way, except that we feel the positive economic programs and actions of the Administration that they represent are helping to restore the confidence of businessmen and consumers in the economic outlook and in limiting future inflationary pressures."

- G. K. Rugger, president, Home Life Insurance Co., New York: Phase I reduced his firm's sales by about 40 per cent and the outlook under Phase II is "not favorable." He sees only spotty improvement in the nation's economy.

- Rodney C. Gott, chairman and chief executive officer, AMF Incorporated, New York, evaluates Phases I and II this way: "Very little effect in 1971. The plus effects and the minus effects seem to balance out. Could have a favorable effect in 1972."

### Jump in the GNP

M. A. Cancelliere, chairman of the Western Pennsylvania National Bank, Pittsburgh, pins hopes for a vigorously reviving economy on President Nixon's New Economic Policy abating inflation and on a clearing up of the international financial impasses. If these two problems are "reasonably well" worked out, Mr. Cancelliere looks for a 9 per cent total GNP increase, a real GNP growth of 6 per cent and a reduction in the inflation rate to about 3 per cent.

A. G. Decker Jr., president of Black & Decker Manufacturing Co., Towson, Md., gives a similar GNP figure without the same qualifications. He says: "GNP will increase by 9 per cent (in current dollars) and durable goods manufacturing will increase by 10 per cent in 1972. Price inflation will be about 4 per cent and unemployment will be about 4.5 per cent."

W. Lee Burge, president and chief executive, Retail Credit Co., Atlanta, can find no substantial reason to increase capital outlay "with present business levels." In commenting on his expectations for his firm's profits to remain about the same, Mr. Burge writes: "Costs seem built in at a higher level than new Phase II increases in prices permit."

The aerospace world has been troubled for years, and although troubles are expected to continue, all is not bleak. W. E. Wills, treasurer,

LTV Aerospace Corp., Dallas, says: "We expect a reduction in profits from decreasing aerospace programs to be generally offset by an increase in profits from 1, commercial operations and 2, lower interest costs."

That office equipment giant, National Cash Register Co., of Dayton, Ohio, will have excess capacity in 1972, says Robert S. Oelman, chairman. "The modest increase in sales volume will not be enough to offset continuing underutilization of factory capacity and its resulting effects on profits," he explains. NCR looks for 7 per cent more sales. As for the nation as a whole, Mr. Oelman predicts a "slight increase in unemployment."

Recent lack of buying enthusiasm on Wall Street is explained by Robert C. Hall, vice chairman of the big New York-based brokerage firm, Bache & Co., this way: "The uncertainties created by Phase II are a major factor in the weakness of share prices and the diminution of securities trading volume. International monetary uncertainties, the import surtax, and ceiling prices are all contributing to caution and lower volume in commodities."

W. Thomas Rice, chairman and chief executive officer, Seaboard Coast Line Railroad Co., Richmond, Va., is mildly enthusiastic about the economy if, as he says, "inflation can be halted or appreciably slowed."

Western Electric Co. will continue its expenditures for capital improvements "at about the 1971 rate," H. G. Mehlhouse, chairman and chief executive officer, writes from New York. That rate, he says, was "high."

Wallace W. Booth, vice president, finance, for North American Rockwell Corp., in El Segundo, Calif., says his company is projecting an increase in spending for capital improvements of between 50 and 100 per cent. He hastens to point out that such spending was abnormally low in 1971.

Robert P. Gerholz, president of Gerholz Community Homes, Inc., Flint, Mich., feels that the economy is now "on the launching pad" and that as soon as consumer confidence is restored business will show a steady improvement throughout the year—provided of course that inflation is brought under control.

Four executives seeing small impact





*Har*

**Paul F. Orefice**, financial vice president, The Dow Chemical Co., Midland, Mich., looks for a "good but not spectacular" improvement in the nation's economy this year. His own firm should increase volume by 10 per cent and profits by 15 per cent. Spending on capital improvements will remain the same.



*Har*

**James R. Martin**, president and chief executive officer, Massachusetts Mutual Life Insurance Co., Springfield, Mass., is "still optimistic about a steady but unspectacular recovery during 1972." His firm, like many others, will spend no more on capital improvements this year than last.



*Har*

**J. W. McSwiney**, president, The Mead Corp., Dayton, Ohio, says that President Nixon's Phases I and II are lowering his company's profits. For the nation's economy as a whole he predicts "upward" movement in 1972, though the movement will be "less vigorous than generally projected."



*Har*

**Henry A. Correa**, president, ACF Industries, Inc., New York, looks for a 10 per cent increase in his company's volume due to the "enactment of the 7 per cent investment tax credit." He also looks for a 7 per cent rise in ACF profits. However, the company will spend 10 per cent less on capital improvements.



*Har*

**J. Dayton Ford**, executive vice president, Allied Van Lines, Inc., Chicago, says a 10 per cent jump in Allied's profits will come on "a modest increase in revenue and with savings from more efficient operations techniques." He looks for a "sluggish recovery" of the economy in 1972.



*ref. to Mr. Saw*

**John H. Platts**, chairman, Whirlpool Corp., Benton Harbor, Mich., says the nation's economy "will grow at a 6 to 7 per cent rate" in 1972 and his own company will boost volume 8 per cent. But he expects product price restrictions to exceed those on pay, keeping his firm's profits about the same.

from Phases I and II are Charles R. Tyson, chairman, Penn Mutual Life Insurance Co., Philadelphia; Dr. David L. Grove, vice president and chief economist, International Business Machines Corp., Armonk, N.Y.; John E. Cookman, senior vice president, Philip Morris, Inc., New York; and James D. Edgett, chairman, North American Van Lines, Inc., Ft. Wayne, Ind.

However, Mr. Tyson adds that his company will increase spending on capital improvements by "1,000 per cent" due to a large extension of the home office building.

Dr. Grove feels bullish about the economy. He predicts: "A strong rise in real GNP, over twice the 1971 increase. Profits and capital spending up sharply. Significant slowing in price and wage advances. Unemployment rate dropping somewhat but still averaging 5½ per cent for the year."

Mr. Cookman feels somewhat the same: "GNP and profits up, inflation down to 2½ to 3½ per cent. Unemployment trending down."

Mr. Edgett predicts that the first four months of 1972 will be "rather slow," but that the economy then will "improve substantially."

Lawrence E. Mock, financial vice president, Royal Crown Cola Co., Columbus, Ga., looks for 20 per cent better sales, 20 per cent more spending on capital improvements and 10 per cent improvement in profits.

Two aircraft manufacturing firms took part in the survey. W. T. Piper Jr., chairman, Piper Aircraft Corp., Lock Haven, Pa., expects little or no change in the economy for the next 10 months. Del Roskam, president, Cessna Aircraft Co., Wichita, Kans., says "Phase II confusion is hurting our business."

Two major business leaders give the same answer—"Not substantially"—to the question about the two Phases' impact on their companies. They are E. W. Carter, president, Broadway-Hale Stores, Inc., Los Angeles, and W. F. May, chairman, American Can Co., Greenwich, Conn.

R. B. Pamplin, chairman, Georgia-Pacific Corp., Portland, Ore., expects his firm to boost spending on capital improvements by a healthy 20 per cent this year but expects the economy to improve only gradually. **END**





*"We just switch them around," says the executive director of the President's Commission on Personnel Interchange, Joseph T. McMullen Jr. (center). Result: Bright young executives from business and government get a*



## From Businessman to Civil Servant—and Vice Versa

The government is borrowing executives from companies, and companies are borrowing executives from the government—and both sides seem to be profiting

Sometimes, in his rather austere quarters at the Department of Commerce, Timothy O'Shea must think back to London.

His office there was at No. 1 Regent St., a posh location in the generally fashionable West End.

It was a short train ride from his home in Sunningdale to Waterloo Station. From there, a 15-minute walk brought him to his office, across the Thames, a little before 9 a.m.

"The British," he explains, "get off to a more leisurely start."

Now he rises earlier, hops in the car, heads for Highway 70-S and battles traffic in a 20-mile drive from his Gaithersburg, Md., home to downtown Washington. His responsibilities are comparable, he feels, but not the office accommodations.

He arrives in his office about 8:05 a.m. and will be there, except for lunch, until close to 7 p.m.

In London, he was European marketing director for a group of Westinghouse Electric Co. products. He agonized over problems like how

to sell more U. S. picture tubes to West German makers of TV sets.

In Washington, he works in the Commerce Department's Office of Program Analysis. His chief concern, at the moment, is how to get more mileage out of the Department's 42 field offices.

Mr. O'Shea is one of 43 businessmen who have left their jobs for 12 to 18 months to work in the federal bureaucracy.

They're taking part in the Executive Interchange Program. Its goal is to bring two worlds that are often poles apart—business and government—closer together.

The program, which got under way less than two years ago, is a two-way street.

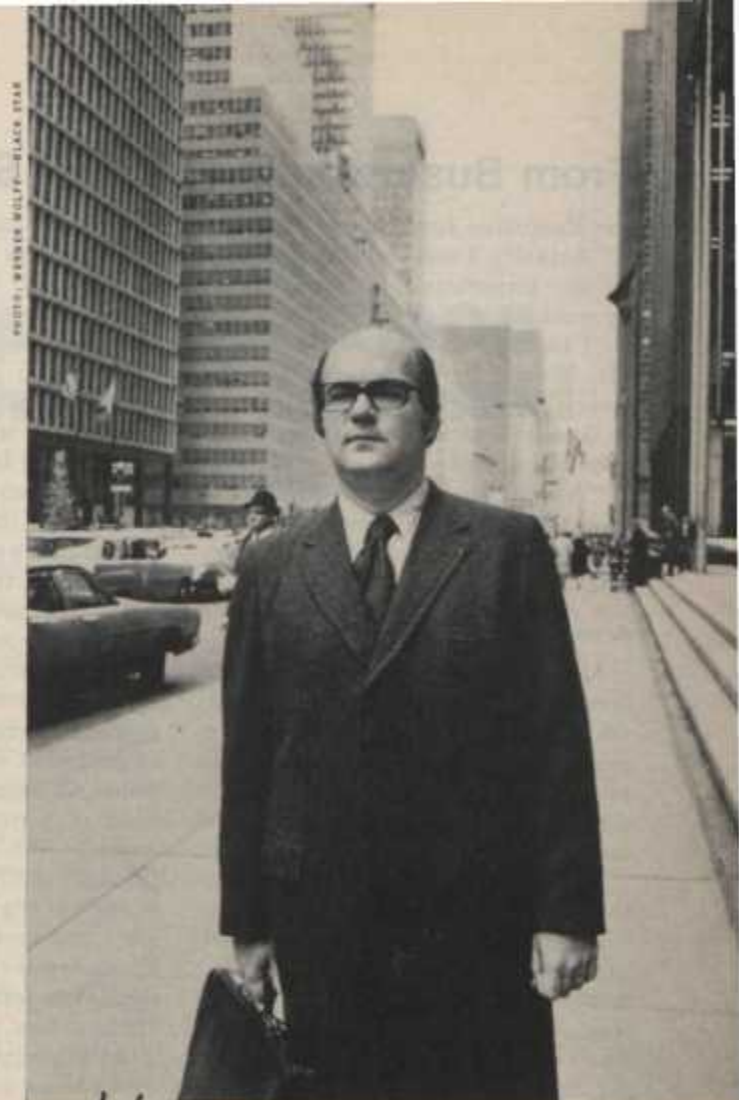
### The other guy's troubles

It gives promising young business executives a taste of what life's like in the world of civil service. And it permits up-and-coming federal employees to sample the tribulations and triumphs of life in the corporate



taste of life in each other's world's. At left: Timothy O'Shea, Westinghouse marketing man on loan to the Commerce Department. At right: HUD's Ronald Stegall, now at the headquarters of Norton Simon, Inc., in New York.

*Have*



*Have*

executive suite. So far, 16 government executives have made the switch to the payrolls of private enterprise.

Most of those in the program are in middle management—grades 14 to 16 for the government employees, and the \$25,000 to \$35,000 pay bracket for the business executives.

Both groups have found the 12-to-18-month stint an eye-opener.

Ronald Stegall, a coordinator in the Model Cities Administration, Department of Housing and Urban Development, now is in the Manhattan GHQ of Norton Simon, Inc.

"I've gained a fuller understanding," he says, "of the kind of constraints business has to face. And an awareness of the fact that it is not a monolith."

"There's a great diversity of attitudes in business, as in any other community."

Thomas O'Brien, a program manager at the Federal Aviation Administration, recently spent a year as a new products manager with Mobil Oil Corp.

"It gave me a better insight," he says, "into how business thinks and how limited it can be in responding to certain demands."

"For example, like an edict to stop pollution. This might take two years, cost hundreds of millions of dollars and pose some tough problems on where to get the money."

Similarly, bright young men from the corporate aeries of Manhattan learned lots in the federal labyrinths.

#### One man's meat . . .

"It's quite difficult to get a big department or agency to move or make a decision," says John F. Flanagan, director of corporate plans, American Airlines, who spent a year with the Department of Transportation.

"It takes a lot of discussion, consultation and concurrences."

"From a business viewpoint, that's bad. We like to move faster."

"But from the government's point of view, that's good. Deliberation keeps it from possibly making a lot of

bad decisions. And a government decision has a lot bigger impact on a lot more people than any decision we make in business."

As with Mr. O'Shea, Mr. Flanagan's tour of duty in Washington meant a lot of adjustments in his personal life and work habits.

"Before I came to the Department of Transportation," he says, "I was manager, operations planning, at American Airlines' headquarters in New York City."

"We were planning how to introduce the new 747's into service. That meant we had to look at everything. Passenger terminal facilities, ground equipment, food service, caterers, stewardesses, training pilots—the whole package."

"About 10 of us worked full-time on the project. We got help, of course, from others in the company whom we called on when their expert knowledge was needed."

"We had just wrapped this up when I went to the Department of Transportation for a year, under



## From Businessman to Civil Servant—and Vice Versa *continued*

the Executive Interchange Program.

"Actually, I was sort of conditioned to the importance of mass transit by working in New York City.

"I lived in an old colonial home in Mt. Vernon in Westchester County. Every day, I rode a commuter train to Grand Central Station, two blocks from our offices.

"When I was assigned to DOT, I was interested in seeing how the government approached the problem."

### A variety of companies

More than 30 American business firms, big and small, are already taking part in the Interchange Program—lending some of their own promising executives to federal agencies and making room for federal managers in company executive slots.

The firms include, in addition to those already mentioned:

American Standard, Inc.; American Telephone & Telegraph Co.; Atchison, Topeka & Santa Fe Railway Co.; Atlantic Richfield Co.; Avco Corp.; Bank of America; Bendix Corp.; Computer Congenerics; Consolidated Edison Co. of New York, Inc.; Cummins Engine Co., Inc.; General Electric Co.; General Telephone & Electronics Corp.; International Business Machines Corp.; Lockheed Aircraft Corp.; Ling-Temco-Vought, Inc.; McDonnell Douglas Corp.; McKinsey & Co.; Mead Corp.; Motorola, Inc.; North American Rockwell Corp.; Owens-Illinois, Inc.; Standard Oil Co. of California; Standard Oil Co. (New Jersey); State Street Bank & Trust Co.; Syntex Corp.; Teledyne, Inc.; and TRW, Inc.

"The goal of the program was summed up well by President Nixon," says Joseph T. McCullen Jr., recently named executive director, President's Commission on Personnel Interchange.

"He said that constructive cooperation between government and business can result in more imaginative and effective measures to achieve our goals. That's what it's all about."

Here are some of the solid achievements the program can boast of already:

- The Federal Aviation Administration spends some \$13 million a year to inspect air navigation aids. It now

has a practical plan to cut costs by replacing the old DC-3's and T-29's it uses with half as many smaller, executive jets.

Annual savings are estimated at \$7.7 million a year. The plan was prepared under direction of an airline executive whom FAA acquired through the Interchange Program.

- More than 6,000 U. S. business firms have asked how they could help improve our balance of payments by joining the ranks of exporters. "Tell us more," they said in effect, "about how we can sell abroad."

The queries resulted from an aggressive domestic information program launched by the Commerce Department's Bureau of International Commerce. It was the brainchild of a marketing executive who came to the Department under the Interchange Program.

- Four of the nation's largest airports are so swamped with traffic that Washington has had to clamp a ceiling on landings and takeoffs. By 1980, unless the crisis is solved, all 30 of the airports that handle 80 per cent of our air traffic will be in the same boat.

But a study, prepared for the Department of Transportation and the National Aeronautics and Space Administration, has a solution. It took a task force of DOT and NASA staffers, plus outside experts, nearly five months to prepare the blueprint for expansion and changes in techniques.

If it is implemented, by legislation and executive action, the nightmare of 1980 will be averted.

Once more, a business executive brought into government through the Interchange Program played the key role in the rescue operation. Says David A. Lehman, then on loan to DOT from IBM:

"I was brought in to look at the problem of civil aviation to the year 2000 A.D. It involved a lot of factors. Like what kind of research and development might have to be done to bring us out of the transportation crisis. What kind of legislation do we need? What can industry do? What benefits would accrue to the nation?"

"The result was the CARD study. CARD standing for Civil Aviation Research and Development. It has

been approved by DOT and NASA and looks like it is on the tracks."

Mr. Lehman, who is executive assistant to one of IBM's top managers, has decided that the over-all long-range value of the Interchange Program may far exceed that of the help it has given in solving specific problems.

The most lasting benefit, he feels, may come from improving the relations between those two sometime antagonists—business and government. Other Interchange Program executives share that view.

They agree that the two chief differences between the world of government and the world of business involve the pace at which things happen and the way performance is measured.

### Faster footwork

Business has faster footwork, says the FAA's Mr. O'Brien. "Industry seems to be leaner in staff," he adds, "and less encumbered with paper work. It also tends to be a little more flexible in funding. Business can move money more quickly to areas or activities that promise a better return."

As for gauging success or the lack of it, Mr. O'Brien says:

"One of the main fallouts to government is that we will have to develop standards to measure performance or efficiency, and techniques to improve performance."

Business, executives point out, has one handy yardstick that is not available to government—the profit and loss statement.

"However," says HUD's Mr. Stegall, "I don't think business has as clear and simple a goal as the bottom line on the profit and loss statement."

"For example, the company has long-range goals that a year's profit and loss statement won't reflect. Also, the P/L statement doesn't reflect profit that could have been made—but wasn't. Management may have made a lot of mistakes that don't show up in the profit and loss figures."

"So they're not a true measure of performance."

"If the figures are good over a long span, say 50 years, then they would truly reflect performance. But in the



short run, they may or may not be an accurate index."

Business executives tend to take a somewhat different tack than the government executives do on performance measurement.

#### Unknown quantities

Says Westinghouse's Mr. O'Shea: "It's not so much that a company looks just at dollar signs. The main difference is that most companies can quantify their performance. The plant can count how many widgets it produced, or how many cars it made.

"The government has a lot of trouble quantifying what it does, except for some agencies like Internal Revenue, which can count the amount of money it took in, or the number of income tax returns it handled.

"But I don't think the big problem is that government and business are entirely different. Government is a service industry and a growing segment of private business is, too.

"However, government can do user analyses, or user studies, to find out if it's making people happier or more productive—or whatever the bureau's goal is.

"There has to be a measurement. There should be accountability in government—as well as in industry. And in many instances, there is, from what I can see.

"Congress certainly makes itself—and its wishes—known.

"So government faces some of the disciplines that we do in industry, though not all. Certainly, there are two yardsticks that should be applied to a government bureau:

"One, is it doing something that's necessary?

"Two, is it doing it effectively?"

What, interchange executives were asked, did they miss most when they went from business to government?

Mostly, they replied, the lack of easy access to higher authority, and the inability to act quickly on their own.

What was most attractive about stepping into the shoes of a government manager?

"Being part of Washington, being where it's at," says American Airlines' Mr. Flanagan. "Make no mistake, there's where the action is."

END

## Last year ROTC produced 12,000 highly trained, dedicated civilians.

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It's also a proven way to produce good civilians.



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## J. Edgar Hoover Speaks Out About:

- Presidents he has known
- Attorneys General he has known
- Crooks he has known
- Organized crime in business
- The FBI—past, present and future
- Demands that he retire

*See Large File  
Shen Hoover folder*

Almost 48 years ago, a hard-working young Justice Department lawyer was called into the office of then Attorney General Harlan Fiske Stone and told: "I want you to take over as acting director of the Bureau of Investigation."

J. Edgar Hoover reflected for a moment. A Justice Department employee since 1917, he had been assistant director of the Bureau for three years, agonizing all the time as it became increasingly a product of the political spoils system.

"I'll take the job, Mr. Stone," he replied, "on certain conditions":

The Bureau must be divorced from politics. Appointments and promotions must be based on merit, and the Bureau must be responsible to the Attorney General only.

"I wouldn't give it to you under any other conditions," the Attorney General said. "That's all. Good day."

In the years since then, John Ed-

gar Hoover has seldom been out of the public eye as he has molded the Federal Bureau of Investigation into a model law enforcement agency and kept it that way. (The word "federal" was added to the Bureau's title in 1935. The word "acting" was dropped from Mr. Hoover's own title a few months after his appointment.)

"FBI" became an abbreviation that commanded the respect and cooperation of citizens.

"G-Man" became a nickname feared by criminals and subversives.

Mr. Hoover set a rigid standard of personal behavior for himself and for the people of the FBI. To attain a goal of excellence, he believes there is one essential: integrity of self and deed. With absolutely no compromise.

A lifelong bachelor whose work is his first love, he does find time for other interests, too. In the evenings at his two-story house in a pleasant

Northwest Washington neighborhood (a housekeeper oversees the establishment), he relaxes in front of the television set and in the company of his two cairn terriers. ("Naturally, they're spoiled. They boss me around.")

He loves gardening and is proud of his roses. And now that he's put down artificial turf in his spacious back yard, "I can forget about seeding grass every year. This stuff is wonderful."

His favorite sport is horse racing. A big reason is that "you can relax completely. I love to watch the horses run." The Ex-Agent Association recently gave him a statue of a stallion—"the first I've ever owned, though I've supported many of them."

He was also a fan of the Washington Senators before the franchise was moved to Texas last fall, and frequently went to games with Richard









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## J. Edgar Hoover Speaks Out *continued*

Nixon when he was Vice President. (Mr. Nixon "knew all the players by name and everything about them—batting, fielding, everything.")

His favorite vacation spot is La Jolla, Calif., and if he were an agent in the field, that's where he'd most like to be assigned. His second choice would be Butte, Mont.

"I've been accused of using Butte as a kind of Siberia for agents that displease me," he says with a chuckle. "When that allegation was made, I checked up and found we actually had 144 requests from agents to be assigned there. You know why? It's close to Glacier National Park, and some of the best hunting and fishing in the world is around there."

Mr. Hoover, 77 this New Year's Day, has been warmly lauded for his performance as director of the FBI. An inner corridor leading to his office is lined with plaques and citations from scores of organizations and with mementoes from notables he has known.

In recent years, he also has been the target of criticism, a fact he accepts as inevitable in light of the position he holds.

In this interview with editors Jack Wooldridge and Wilbur Martin of *NATION'S BUSINESS*, Mr. Hoover talks over many of the highlights of his career, taking note of achievements for which he has won praise as well as matters for which he's been criticized, and discussing other subjects ranging from Presidents and Attorneys General he has known to crooks he has known.

**You have served under eight Presidents. Were you closer to some than others?**

President Coolidge I only knew officially. I became very, very close personal friends with Herbert Hoover, but really this was after he left office. He was chairman of the board of the Boys' Clubs of America and I was a board member. I got to know him quite well.

I didn't know until he told me years after he left office that he was responsible for my being named director of the FBI. As a young lawyer in the Justice Department, I had worked with the Senate Foreign Relations Committee on an investi-



*Herbert Hoover's recommendation, when he was in the Coolidge Administration Cabinet, led to the selection of J. Edgar Hoover (no relation) to head the FBI. They're shown at a 1950 banquet of the Boys' Clubs of America, a keen interest of both men.*

gation of whether we should restore recognition to Russia. I had come to the attention of Mr. Hoover, who was then Secretary of Commerce.

Attorney General Stone mentioned to him that he was looking for someone to put in charge of the Bureau and Mr. Hoover recommended me.

I always felt President Hoover was terribly wronged. Everyone blamed him alone for the Depression. He was a very shy man, you know, very human. We used to walk down the street in New York City after he had been President and no one recognized him. I thought, "How terrible, to be forgotten."

I was so pleased that in his later years he was recognized for the great man that he was.

I was very close to Franklin Delano Roosevelt, personally and officially. We often had lunch in his office in the Oval Room of the

White House. During his Presidency and afterwards, at Gettysburg, I was close with Gen. Eisenhower. He was a great man and a great President.

I lived across the street from Lyndon Johnson for 19 years. We were very close friends and this friendship continued during his Presidency and to this day. I hear from him regularly.

When he was in the Senate, and we were neighbors, he had a little dog he called Little Beagle Johnson. Every few days he would come over in the evening and say, "Edgar, Little Beagle Johnson's gone again. Let's go find him."

And we would go off looking all over the neighborhood.

When he was President, two of LBJ's beagles died. One swallowed a stone and the other one was run over by a Secret Service car.

I got a little beagle from a kennel





Franklin D. Roosevelt's signing of six crime laws in 1934 was a breakthrough which enabled the FBI to go into action in areas outside federal jurisdiction.



President Harry S. Truman chats with the FBI director just before the opening of a National Crime Conference, held in 1950. Mr. Hoover frequently wears in his lapel the ribbon of the Medal of Merit awarded him by Mr. Truman.

## J. Edgar Hoover Speaks Out *continued*

in Atlanta and gave it to him. One day, I was visiting at the White House and he said, "Let's go look at the dogs." We were walking along when all of a sudden he hollered, in his big, Texas voice right in my ear, "Edgar, where are you?"

Well, I was right beside him and I didn't know what he meant. "I'm here, Mr. President," I said.

"Oh, I don't mean you," he answered. "I mean the dog, the beagle. I call him Edgar."

I had a letter from President Johnson just a few weeks ago and he told me Edgar was doing just fine on the ranch in Texas.

Of course, I have been friends with President Nixon for a long time. I first met him on the Alger Hiss case. A lot of hatred for President Nixon stems from this case, from some of the liberals and pseudoliberals who've never gotten over this case. I think

much of the hatred for me stems from this case, too.

[Mr. Nixon, then a Congressman, played an active role in the case, in which Hiss, a former State Department official accused of having passed on secrets to the communists, was convicted of perjury.]

President Nixon has changed materially. He's much more extroverted today than when I first met him. That's good. I think he's doing an excellent job as President, despite the brickbats he gets thrown at him from some of the media. He never loses his cool. He's done an excellent job on economic matters and I think his coming trips to China and Moscow will turn out well. He knows how to negotiate with people without giving up principles.

You have also served under 16 Attorneys General and once termed Ram-

sey Clark the least effective. Who was the best?

Oh, that's hard to say. There are a half dozen that stand out, those I was very close to.

There was Harlan Fiske Stone [who served under President Coolidge]. He appointed me and we were very close. After he became Chief Justice of the Supreme Court he often would stop by. He'd say, "Edgar, I've come by to get an account of your stewardship." He considered me the steward of the FBI.

Then there was John G. Sargent [who also served under President Coolidge]. He was a big man, 6 feet 6 or 7, and wore a size 15 shoe. His feet always hurt and sometimes when I went home with him to lunch, he'd take his shoes off. He was like the mountains of Vermont—solid, very solid.

Herbert Brownell [under President



*Returned to  
1/20/72*



*It was evidently a great pleasure for President Dwight D. Eisenhower in 1955 to pin the National Security Medal on the FBI chief for 31 years of "brilliant leadership in a position of great responsibility" and for devotion "to the highest ideals of federal law enforcement."*

Eisenhower] is a great lawyer, a great administrator. And Bill Rogers [William P. Rogers, now Secretary of State]. We were very close. When he was Attorney General and President Nixon was Vice President, we would frequently spend the Christmas holidays in Miami Beach together.

Frank Murphy [who served under President Roosevelt] was a very close personal friend. I don't know why. In the beginning, we were so opposite philosophically. Murphy was very shy and stiff in public. But in private he was the life of the party. After he was named to the Supreme Court, I would go up and we would walk from the Court to the Washington Hotel, where he lived.

Of course, there's John Mitchell, the present Attorney General. He is a very able man, a very down-to-earth individual, very unlike those

Herblock cartoons in *The Washington Post*.

And I'm completely fascinated by his wife. Martha is a wonderful person. She speaks her mind. She has integrity in thought. I like that.

I was very close to the wives of some of the other Attorneys General. Mrs. Homer Cummings [her husband served under President Roosevelt], Mrs. Brownell, Mrs. Rogers.

What, in your mind, has made you successful in your administration of the FBI?

Principally, instilling in every FBI employee the absolute need for excellence in performance.

A law enforcement agency is only as good as the support it receives from the public. Over the long run, the public cannot be fooled. Only demonstrated performance produces the respect and cooperation necessary

to achieve the results FBI responsibilities demand—and which the public has every right to expect.

This attention to a goal of excellence requires its sacrifices. It means long, often grueling hours of work on the part of our special agents. It means they must maintain personal conduct standards that raise no question as to our capacity to discharge FBI duties with skill and integrity, strict impartiality in conducting investigations, and self-discipline to withstand the frequent taunts and abusive manners of those who would impede the performance of our lawful obligations.

Some of my critics have charged me with being a harsh and autocratic administrator, but they fail to recognize the trust that must be generated from the proper discharge of FBI responsibilities. This fact leaves little room for error. An enforcement agency, by the very nature of its duties, is an easy and natural target for criticism.

You spoke of critics. In recent years, the most persistent criticism concerning you, Mr. Hoover, has been that you should retire and hand over the reins of the FBI to a younger man. What is your reaction to this?

I don't consider my age a valid factor in assessing my ability to continue as director of the FBI—any more than it was when, at the youthful age of 29, I was appointed to this position. I was criticized then as "the Boy Scout." Now, I'm called "that senile old man."

My appointment to head the FBI was based on performance and I believe that same standard should apply to any evaluations of my fitness to continue in this post.

Years are only a guide to a person's age and have little meaning when attempting to equate them with ability, vigor and demonstrated performance.

This is what I believe many young people are talking about today when, in spite of their youth, they demand a more active role in our society commensurate with the many obligations they are required to shoulder. And they are right.

Many of our great artists and composers did their best work in





John F. Kennedy with Mr. Hoover in 1962, and Lyndon B. Johnson with him in 1964. Mr. Hoover and Mr. Johnson were neighbors when LBJ was a Senator, and the two used to tramp the streets to round up a Johnson beagle which frequently strayed. When LBJ was President, Mr. Hoover gave him a beagle pup, promptly named "Edgar."

## J. Edgar Hoover Speaks Out *continued*

their 80s. They were judged on performance, not age. Other leaders, too.

Look at Bernard Baruch; he was brilliant in his 90s—and Herbert Hoover and Douglas MacArthur in their 80s.

That is my policy. I judge a man on the quality of his performance. So long as I am blessed with good health and enthusiasm for my work, I would hope that I may be judged in this same manner.

How much has the FBI grown since you assumed its leadership?

When Attorney General Stone appointed me on May 10, 1924, to head what was simply called the Bureau of Investigation, the Bureau had 441 special agents.

Compared with today, the Bureau's jurisdiction was quite limited. Through the years Congressional enactments, Presidential directives

and orders of the Attorney General have substantially increased our jurisdiction to some 185 federal investigative matters.

We have 59 field offices located throughout the U. S. and Puerto Rico. In addition to these major offices, there are hundreds of resident agencies or suboffices. All told, the Bureau now has approximately 19,000 employees, and over 8,000 of these are special agents.

I might say here that the average agent works overtime  $2\frac{1}{2}$  hours every day, but gets paid only for one hour and 49 minutes, the legal limit. I think the amount of overtime is grossly excessive, but it's necessary because of the vastly expanded duties given the Bureau.

Has the nature of your own work changed as the Bureau has grown?

In the early days, I could get out

and visit the field offices every year, personally see the agents in action, and spot those with potential, those who did more—or less—than their duty.

I can't do that now. I have to stay here.

I spend a lot of time in preparation for testimony before Congressional committees, and in testifying.

But the FBI inspection division reports to me on what you might call "the blood pressure of the service." It makes inspections of every field office—not to get somebody, but to find the soft spots, if any. We can't afford these.

Another difference is that in the early days, I could get out on cases. I wish I could do that now, but somebody has to run things here. I still sweat the hard cases out, though, here at headquarters.

The plane hijackings, for example.





*President Nixon, conceding J. Edgar Hoover is controversial, gave the FBI chief an all-out endorsement last year, saying "the great majority of the American people back him." The occasion was graduation day at the FBI National Academy.*

What were some of the cases you went on?

Some were publicized, some were not. There was one involving John Henry Seadlund, in the '30s. He was wanted for the kidnaping and murder of Charles S. Ross [a wealthy St. Paul, Minn., businessman]. Seadlund was arrested at the Santa Anita race track in California and I flew out there to get his confession.

In the FBI, we have never countenanced any rough stuff, never any "third degree." I believe psychology plays a large part in dealing with criminals. Psychology and integrity, even with criminals. This case makes that point.

I talked all day to Seadlund and I hadn't had any sleep. Or food. I asked him if he wanted something to eat.

"What do you want to know for?" Seadlund snapped at me. "You won't

get it for me." I asked him pretty bluntly, "What do you want to eat?"

He said, "Steak, potatoes, and pie à la mode." I told an agent, "Just double that order."

The next day Seadlund asked to see me. He told me, "Well, you kept your word and got me my steak. Now get your steno and I'll tell you what you want to know." I got a full confession.

So psychology and integrity are tremendously important. FBI agents were warning suspects of their constitutional rights long before it was required by law.

We had to take Seadlund to St. Paul. When we left Los Angeles it was 78 degrees and when we got to St. Paul it was zero. We had to hide out from the press in the woods for two or three days, looking for the bodies of Ross and Seadlund's partner, whom he had also killed.

I asked one of the agents to get me some warm clothing. He brought me a suit of red woolen underwear. He could have at least gotten white, but it was a gag and it was appreciated.

Weren't you also personally in on the Alvin Karpis affair?

Of course, there was Karpis. He was part of the Ma Barker gang, and kept sending me postcards from all over the country, saying he was going to kill me like Ma Barker and her son [Fred] were killed in a gun battle in Florida. I passed the word that whenever we spotted him, I wanted to make the capture personally.

Well, we tracked him to New Orleans [in April, 1936] and I flew down there.

We try to make an arrest at dawn, or some other time when there aren't many people on the street. But we had to do this one at 5 in the afternoon. Karpis had been holed up in an apartment on Jeff Davis Parkway and it was the rush hour and there were people everywhere.

Karpis and a companion suddenly walked out of the house and got into a car. I ran up on one side and grabbed him. Another agent went to the other side and grabbed the other fellow.

I said, "Bring the handcuffs," but everybody had forgotten to bring handcuffs. So an agent who had grown up on a cattle ranch said, "I can tie him up so he can't move." And he did, tying his hands behind him with a necktie.

When we got into the car, Karpis called me by name. I asked him how he knew who I was and he said, "Oh, I saw your picture in the paper in Miami." I'd had my picture taken when I caught that sailfish on the wall over there, the only one I've ever caught. Karpis said that my luck was better than his, that he'd been trying to catch one for three years.

On the way downtown, the agent driving the car got lost.

Karpis spoke up, wanting to know where we were going. I asked him why he cared and he said, "Well, if it's to the post office building, I can tell you how to get there. I was





Frank Murphy, one of the Attorneys General especially close to the FBI chief, is shown arriving in Los Angeles with him on an investigative trip in 1939.

## J. Edgar Hoover Speaks Out *continued*

planning to rob it." So he directed us.

The agent who was driving heard from me later.

You have always shown particular interest in kidnaping cases, haven't you?

Yes. Every case is important, but kidnapings strike me as being extremely vicious crimes against society. Often they involve young children or other family members. I don't think there is anything worse than the kidnaping of a child and the agony of the family. I look with a great deal of personal satisfaction on our accomplishments in these cases.

We first got the name "G-man" on a kidnaping, the Urschel case.

[Oklahoma oilman Charles F. Urschel, kidnaped in 1933 by the George "Machine Gun" Kelly gang. Caught in a house in Memphis, Tenn., Kelly cringed and cried, "Don't shoot, G-men, don't shoot, G-men!"]

The federal kidnaping statute, passed in 1932 after the Lindbergh baby kidnaping, as well as a series of other special "crime bills" in the early '30s, greatly expanded our responsibilities in that field.

Do you have any advice on how to keep in good health?

I try to stay in good health by avoiding excesses. Moderation in everything you do is a good rule. I take a physical every year and the last one showed I was in better shape than when I took the first one, in 1938. I had to lose a little weight after that one.

All of our agents must be in top physical condition. They can be a little underweight, but they can't be overweight. When I put that rule in, some men groaned a little. But the wives all think it is great.

I exercise every morning on an exercycle.

I try to get enough sleep each night, but not too much.

In the evening I relax and watch television. I usually have a highball, maybe two. But never more than two. Jack Daniels black label—on the rocks, with a dash of soda. I never drink martinis. Martinis are poison. Nobody can drink four and be sober.

I never take work home with me Monday through Friday. But I take a lot of work home with me on the weekend when I have time to think.

Of course, I watch my diet. Again, you have to do everything in moderation.

I have two little cairn terriers. One is 17, blind and deaf, and the other is four. She's a little hussy, bosses the older one around. At breakfast, they get my bacon and eggs. I get the fruit juice and black coffee.

I always have the same thing for lunch: grapefruit, cottage cheese and black coffee. And usually I eat at the same place [the Mayflower Hotel].

I like to relax at lunch. One of

the things that irritates me is for people to come up and ask, "You don't know me, do you?" I always say, "If you were ever in Alcatraz, I know you. We'd have a record on you."

My dinner at home is always moderate. I'd love to have a piece of chocolate cream pie. But I don't. Moderation in what you do, integrity in what you do. I believe in that absolutely.

Horse racing is your favorite sport. Have you seen any of the great winners?

Yes. I saw Whirlaway, for example.

As a matter of fact, I was at Aqueduct and asked a friend with me to get a ticket on him. He came back with a ticket on the wrong horse, Tola Rose I think it was, a 20-1 shot. Whirlaway was something like 2-5. And Tola Rose won. I told him I should let him pick the horses every time.

One fellow I wouldn't let ever pick a horse is George Allen [a friend of Presidents Roosevelt, Truman and Eisenhower]. He always bets three horses in the same race—to win.

President Eisenhower used to give George \$5 to bet for him every now and then. I told President Eisenhower, "I'd never let George bet for me. He's the worst at picking horses I ever saw."

George said that if I'd told that to anybody else but the President, he'd have sued for slander. We're very good friends.

What are your 10 most important accomplishments as director of the FBI?

It's difficult to pick out any specific number of accomplishments. Certainly among the most important was cleaning up the Bureau, cleaning out the political hacks. This was the mandate given to me by Attorney General Stone when he appointed me. Also, winning the support the FBI has consistently received over the years from the law-abiding and concerned public.

Without these, it is doubtful the FBI could have realized many other accomplishments. I am particularly proud that FBI performance during





*John D. Rockefeller Jr. has his fingerprints taken in 1924 to publicize—and encourage—Mr. Hoover's campaign to have citizens record their prints with the FBI for confidential use as a means of identification in case of accident.*

my tenure has merited the public's support.

Other accomplishments which were important in the development of the FBI include the nationwide centralization of criminal fingerprint records in the FBI Identification Division in 1924; establishment in 1932 of the FBI Laboratory; and establishment in 1935 of the FBI National Academy, which provided a university-level advanced training program for select law enforcement officers throughout the nation.

Also, the capture of the Nazi saboteurs landed on our shores by submarine during World War II; the convictions of top communist leaders following the war; the successful investigations into the Rosen-

berg and Col. Rudolf Ivanovich Abel spy cases in the 1950s; the convictions resulting from our investigations of the murders of a number of civil rights workers during the 1960s; and the beginning of the FBI National Crime Information Center.

There are many more, of course, but these stand out in my mind.

**What about your own politics?**

You know, when I took over with the mandate to clean out the political hacks and straighten out the Bureau and did, I was accused of being a Democrat because the Republicans were in office. Then I was accused of being a Republican when the Democrats took over.

I grew up in and live in the District of Columbia. I have never voted in my life. I don't like labels and I am not political. My feeling about politics is that both parties should nominate for all offices the very best qualified man—unfortunately, that isn't always the case—and that the people should vote for the man whom they believe is the best qualified.

**You have been quoted as saying the FBI's National Crime Information Center is a real breakthrough in fighting crime. Why so?**

The NCIC provides what was long urgently needed, a comprehensive and swiftly efficient informational exchange system of national scope.



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## J. Edgar Hoover Speaks Out *continued*

This computerized index of documented crime data is now tied to all states and Canada by a vast telecommunications network. The total number of NCIC active records concerning stolen property and persons wanted for crimes has climbed to over three million, with daily transactions sometimes well over 75,000.

I'll give you an example of why I think this gives our nation's law enforcement community an essential tool to meet the challenge of crime.

Recently, two state troopers in New York State stopped a car. They radioed for a check on it and within two minutes—two minutes—they knew that the car had been stolen and that its two occupants were wanted for murder in California.

**Some have charged that federal computer systems are leading to a huge national data bank that could strip the individual of his privacy. Could you comment?**

As far as the FBI is concerned, those fears are groundless.

The National Crime Information Center is the principal FBI computer system and it contains only documented data concerning criminals and stolen property. Its information is available only to authorized law enforcement agencies and the system was designed to prevent any abuse or misuse of its data.

Any allegations that this could lead to a "big brother is looking at you" operation are completely false.

**The FBI has been accused of engaging in unauthorized wiretapping. What are the facts?**

The facts are that the FBI has not used wiretaps without the authority of the Attorney General, and then only to a limited extent in cases involving our nation's security.

Also, under the Omnibus Crime Control and Safe Streets Act of 1968, federal judges may authorize the FBI to use electronic surveillance techniques in some cases involving organized crime. The Attorney General has to approve each instance, and a written affidavit establishing probable cause for action must be presented to the judge.

Assertions that FBI wiretapping is widespread are absurd. If the FBI

engaged in wiretapping to just a fraction of what its critics suggest, it would have no time for anything else.

These critics who accuse the FBI of this practice can never produce any proof.

Congressman Boggs [Rep. Hale Boggs (D-La.), majority leader in the House] made a wild statement that his telephone had been tapped. That charge was simply not true. No telephone of any Congressman has ever been tapped since I became Bureau director in 1924. He was put in the position of having to "put up or shut up" on that charge and he shut up.

**Another accusation against the FBI is that of snooping on campuses.**

Completely false. I believe this is only a scare tactic to inflame the academic community against the FBI.

Yes, the FBI does conduct investigations on college campuses—or anywhere else in the nation. But only if there is a violation within its investigative jurisdiction.

If, for example, an ROTC building has been destroyed by a fire or explosion, we will investigate to see if there is evidence of sabotage or destruction of government property. Many campuses have government research or other government facilities. If government property is damaged or stolen, the FBI investigates.

We do not snoop on campuses, or in any way treat the campus different from any other area of society. The FBI has the highest respect for academic freedom.

**American business is making great use of computer technology, particularly in records management. What steps has the FBI taken along this line?**

One of the first actions I took upon becoming director was the establishment of a centralized national file of arrest records on fingerprints. This led to formation of the FBI Identification Bureau in 1924, the year of my appointment.

From 800,000 fingerprint records, this has now grown to nearly 200 million, including many civilian and military fingerprints that are kept separately from those filed as a result of

arrests. I have always felt strongly that fingerprints for identification purposes are a protection for the public. I remember I personally took the fingerprints of John D. Rockefeller Jr. and his family in 1924 to encourage the public to take advantage of this protection, and to show there was no stigma in having your fingerprints recorded. Nelson was a little boy then.

As far back as 1934, the FBI installed a punch card system of searching fingerprints. However, because of the rising volume of fingerprint records this proved inadequate and, by necessity, the Identification Division had to return to manual searching. Presently, development contracts are nearing completion to computerize fingerprint files and to electronically read, classify and retrieve—within seconds.

In 1954, we had in operation the first automated payroll system in the federal government.

**What are some of the major problems the FBI has run into in combating organized crime, especially in the field of legitimate business?**

There is no question the two most serious problem areas are the complexity and size of the investigations themselves, and the general apathy of citizens directly or indirectly affected.

On one series of gambling raids we used over 200 FBI agents. In another series, we had to call upon over 400 agents. In one major hoodlum international bankruptcy case alone, we had investigations being conducted by 31 offices in 28 states, ranging from New York to California and from Minnesota to Alabama.

Many hoodlums, unfortunately, have acquired a facade of semi-respectability in their communities. People find it hard to believe that these so-called "businessmen" can possibly be involved in illegal activities.

Even more disturbing, from a law enforcement view, is the seeming indifference of otherwise responsible citizens to the acknowledged existence of specific phases of organized crime in their communities.

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## J. Edgar Hoover Speaks Out *continued*

course, is that hoodlum-connected major thefts increase their insurance rates, that labor racketeering increases consumer costs, that gambling and narcotics corrupt youth, and that bribery of civic and police officials undermines good government and deprives the public of the protection to which it is entitled.

**Is there a law which particularly helps the FBI to fight infiltration of business by criminals?**

Under the Organized Crime Control Act of 1970, which the President signed into law in October, 1970, Title IX bans the investment of underworld funds in legitimate business ventures. This provides for severe criminal penalties, as well as forfeitures.

**Successful businessmen place great emphasis upon personnel training. What is the FBI doing in this area?**

I certainly agree with the importance of personnel training, and effective personnel training has been a keystone of FBI operations since I became director. In fact, the FBI pioneered advanced law enforcement training with the establishment of the National Academy in 1935.

In addition to the Academy, the FBI has some 1,500 specially trained special agent police instructors who go out where requested and give a wide variety of training. For example, this FBI Field Police Training Program just this past year conducted more than 9,000 training schools, attended by more than 300,000 people. And this involved over 83,000 hours of classroom instruction by Bureau personnel.

The new facility for our Academy at Quantico, Va., when we move in later this year, will enable us to increase the number of officers to be trained from 200 to 2,000 annually. It will also provide specialized courses for 1,000 others. These will be management courses, and I'm quite proud that we will be able to do this. I believe it will certainly strengthen local law enforcement.

**Do you think the United States should have a national police force?**

I am vigorously opposed to a national police force, or any trend

toward one. I want to make one point clear, and it is one that critics of the FBI seem to want to overlook.

The FBI does not decide what it will investigate. It is given responsibilities by Congress, by the President, by the Attorney General. It is charged by law to carry out certain functions. And we will do that.

I might also say that I opposed our being given some of these responsibilities. For instance, we are charged with investigating an illegal gambling case if it involves five or more persons, remains in business 30 days, or has a daily \$2,000 gross. I believe this is a function of local law enforcement.

**The FBI has a relatively small number of Negro special agents. What is its policy with respect to employing members of minorities?**

The FBI is unequivocally dedicated to the principles of equal employment opportunity. I insist that all appointments and other personnel actions be based on merit and fitness.

Let me say that nothing would please me more than to have a greater number of special agents from minority groups. We have a very real need for them, and they would be a most welcome asset. We will continue to make every effort to attract those qualified.

But I have not, and will not, relax the high standards which the FBI has traditionally demanded of special agents without favor or exception.

Attorney General [Robert F.] Kennedy became very angry with me over this.

I would not yield.

The standards for a special agent of the FBI are stringent. Applicants must be of outstanding appearance and outstanding character, and have the required education in law, accounting, languages or sciences, or three years of executive, professional or investigative experience.

We demand of FBI employees a standard of morality which can be approved by the majority of the American people. Some say we are too strict, but I submit to public judgment that discipline is an absolute necessity. An undisciplined law enforcement agency is a menace to society.

We do have exacting standards in the FBI and we apologize to no one for them. We have no intention of arbitrarily compromising these standards to accommodate kooks, misfits or slobs.

As I have said publicly, disregard for law and order is encouraged by hatemongers, extremists and others who say that revolution against society is justified and necessary.

**A number of terrorist or revolutionary groups seem to have sprung up in recent years. Would you comment?**

Terrorist-extremist sentiment is on the rise in the nation today, especially in the so-called New Left. The Students for a Democratic Society was formed in 1962 and by 1967 this group had developed a revolutionary, violent posture, urging destruction of our democratic institutions. In 1969, it was torn by factionalism and its extremist wing became the Weatherman.

The Weatherman, which went underground in 1970, believes in violence. Its adherents have collected explosives and set up bomb factories. They have carried out acts of violence not only against police facilities, but against military and government buildings and even private buildings which happen to house the offices of companies these extremists don't like.

Small terror groups, operating from underground, represent a great danger. Unfortunately, the Weatherman type of extremist mentality seems to have spread to some other young people and even some adults.

You have black nationalist terror organizations such as the Black Panther Party. The Panthers are hoodlum-type revolutionaries, and their true nature must be exposed.

Currently the Panther Party is doing everything possible to show a "humanitarian face"—to show that it is interested, for example, in the welfare of children through its so-called Breakfast for Children program.

This is a public relations gimmick. Part of the reason for this feigned emphasis on humanitarianism is to encourage contributions from wealthy white liberals, who have given thousands of dollars to the Panthers.

**What is the FBI's role concerning**



*Handwritten signature: J. Edgar Hoover*



*Alvin Karpis, a "public enemy No. 1" in the '30s, is shown being taken into court, handcuffed, after a capture which Mr. Hoover (left) personally led. In a book last year, Karpis claimed the FBI chief "hid until I was safely covered by many guns" and then "came out to reap the glory." Mr. Hoover has laughed off the claim. He gives his version of the capture in this interview.*

protests, such as those against the Viet Nam War?

In America, we have freedom of expression. Individuals have a right on their own to oppose the war or say anything else they desire about Viet Nam.

There are a number of antiwar groups and they have the right to voice their viewpoints. The FBI does not in any way attempt to stifle groups or individuals who speak out

against the Viet Nam War. Charges that we do are completely false.

The FBI becomes concerned only when members of these or any other groups violate laws within its investigative jurisdiction. Or when the activities of the groups become violent or terroristic and pose a threat to the internal security of the country.

You mentioned what you consider

your most important accomplishments as FBI director. What would you consider the most important cases the FBI has investigated?

I like to think that all of our investigations are important. But in terms of their impact on FBI operations or the events of the time, a few stand out.

The successful investigation of the kidnaping of Charles Lindbergh's son in 1932 led to the passage that



## J. Edgar Hoover Speaks Out *continued*

same year of the federal kidnaping statute, giving the FBI added jurisdiction over this despicable crime.

John Dillinger had become a full-blown American folk hero by the time our agents were forced to shoot while moving in to arrest him in Chicago during 1934. I saw an ad the other day that they were making another movie about Dillinger. I suppose this one will make him a hero again. I can't understand this. The worst movie ever made was that one about Bonnie and Clyde. They were nothing but a couple of bum criminals, the worst kind.

Just a few months prior to the Japanese bombing of Pearl Harbor in 1941, FBI agents arrested 33 members of the network of the German spy, Frederick Duquesne. This case, together with the FBI capture of the Nazi saboteurs landed secretly in this country, I am sure, stopped serious enemy attempts to sabotage our war effort. Those Nazi saboteurs were tried in Classroom No. 1 of this building [the Justice Department building].

In 1949 our investigations resulted in the conviction of 11 top leaders of the Communist Party, U. S. A. We were only a few years removed from working with the world's leading communist power, the Soviet Union, as an ally. It was hard for some to realize the conspiratorial nature of the Communist Party in those circumstances.

The trial in which the leaders were convicted galvanized public opinion to the fact the communists were attempting to subvert our democratic form of government. The Rosenberg atom bomb spy case the following year left little doubt of these motives.

The six-year-long FBI investigation of the 1950 robbery of Brink's, Inc., at Boston demonstrated the virtue of investigative persistence and hard work.

The FBI investigation of the assassination of President Kennedy at Dallas resulted in the interviewing of approximately 25,000 persons and the submission of more than 2,000 reports to the Warren Commission.

As a result of the assassination and the investigation, Congress passed legislation, approved by the Presi-

dent, providing for federal criminal penalties in instances involving Presidential assassination, kidnaping and assault. The FBI was charged to investigate such violations, which were previously the responsibility of the local jurisdiction in which the crime occurred.

The FBI investigation of the murder of three civil rights workers in Mississippi in 1964, as well as investigations of other similar instances of violence and brutality, helped to hasten the passage of broader civil rights legislation.

**Mr. Hoover, is there one crook you remember most vividly?**

Gaston B. Means. I think he was the worst crook I ever knew. I fired him from the Bureau the first thing when I took over and he became mixed up in all sorts of things. He was a scoundrel.

Evalyn Walsh McLean [the wealthy Washington socialite] knew he was a crook, but she thought because he was, he could help in the Lindbergh kidnaping. She gave him \$100,000 to try to get the baby back, and would have given him more. She was going to pawn her jewels, but I stopped that.

We never did find the money Means got from Mrs. McLean and which he said he had buried. We had divers searching the Potomac. When he was convicted and in the hospital at Leavenworth, I flew out there and saw him.

"Why did you lie to our men about where the money is?" I asked him.

He put his hand over his heart and said, "Oh, Edgar. That wounds me."

He was a complete scoundrel. But he was the type some people liked—a sort of lovable scoundrel.

**A headquarters building for the FBI is being constructed across the street. When will it be completed?**

There are some who maintain that the only reason I am staying on as director of the FBI is to be present at the dedication of this new building. I say this is absolute nonsense. In a recent speech, I facetiously noted that at the rate it is going up, none of us will be around by the time it is completed.

Hopefully, it will be ready for occupancy in 1974. We have shared space with the Department of Justice since 1934 and during that period our staff and that of the Department have multiplied many times. It's been necessary to relocate many phases of our operations in seven other sites in the capital.

This new headquarters will bring everything under one roof and vastly improve our administration and efficiency.

**Would you take a look ahead at the FBI's role in the years to come?**

I would hope the FBI's role in the future will be identical with its role in the past and at the present. That is, being a servant of the people.

The FBI's success has been built on one vital base—the confidence of the people. If we knock on a citizen's door, he does not have to talk to us or give our special agents information. This is a decision he must make. We can solve cases only if citizens furnish information.

We want to maintain the confidence and support of citizens in all walks of life, in all areas of the country. If we don't, we simply cannot do the job for which we are responsible.

I want the FBI's work in the future to continue to merit the approval of the people. This means, on our part, top quality investigations. Efficient, loyal and responsible personnel. A willingness to work hard.

**One last question, Mr. Hoover. You've spent your life fighting crime. Have you, as a person, ever been victimized?**

Yes. Once by a fellow who came door-to-door. I bought a load of fertilizer from him for my roses. The stuff turned out to be black sawdust.

And then, once by the fellow they called "The Birdman of Alcatraz." He had two cells—one in which he lived, and another where he kept his birds.

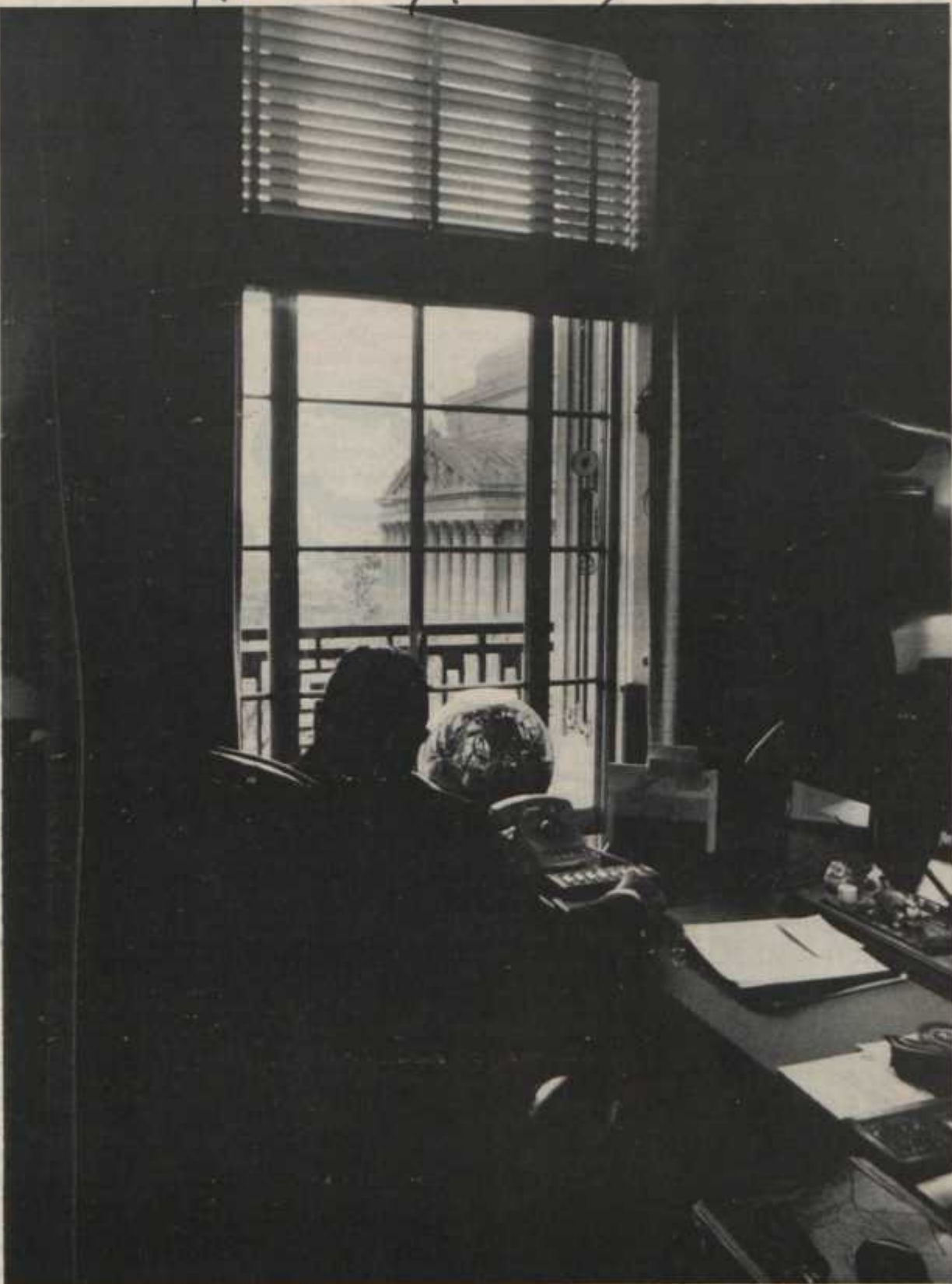
My mother was alive then and she always liked to keep a few birds, so I bought a canary from him. Only it turned out to be just a sparrow, dyed yellow.

So I've been conned at least twice in my life. I guess that proves I'm human.



Hoover (Harc)

PHOTO: FRANK G. SHERMAN



*J. Edgar Hoover's small, working office, located behind his formal ceremonial room (cover photo) overlooks Pennsylvania Avenue. He can't quite see the \$109 million FBI headquarters now being built. Many expect it will carry his name.      END*



# Do Tax Cheats Get Off Too Lightly?



ILLUSTRATION: KEN RINDIANI

Most Americans, of course, are honest about what they owe Internal Revenue—but officials charge that those who are not wind up too often with slaps on the wrist

When a former city commissioner in Florida was convicted of federal income tax fraud, he was ordered to pay the \$42,079 due in taxes and penalties, and was fined \$5,000. He didn't serve a single day in jail.

In Georgia, an auto dealer had to pay \$326,000 in taxes and penalties, in another income tax fraud case. But a federal judge suspended a two-year jail sentence.

These are examples of a trend that is causing growing concern at the Internal Revenue Service, its parent

Treasury Department, and the Justice Department, which prosecutes tax evasion cases.

Too many times, officials feel, tax cheats wind up with no more than a slap on the wrist.

In addition to being required to pay overdue taxes and penalties, they are subject to criminal penalties of as much as five years' imprisonment and a \$10,000 fine.

But a study by the IRS and Justice Department shows that, from 1946 through 1969, only 38 per cent of those convicted of tax fraud went to jail. For the year ending June 30, 1970, the total had dropped to 33 per cent.

Not only officials are upset about the sort of punishment meted out to tax evaders, says K. Martin Worthy, IRS chief counsel. So are businessmen.

"It is clear from our experiences," he says, "that the bulk of American businessmen, who themselves are honest in their tax dealings, are critical about the low percentage of jail terms in tax fraud cases. Businessmen don't like to see a tax cheat get off with a relatively small fine and nothing else."

IRS and Justice Department officials, more for crime deterrence reasons than for retribution, strongly favor putting tax evaders behind bars.

## Keeping fraud unfashionable

This is how Mr. Worthy sees it:

"Unlike in some other countries, tax fraud is still socially unacceptable in the United States.

"But if persons convicted of deliberately cheating on their taxes are merely fined and not sentenced to jail, others may become willing to take a chance and cheat, too. If cheaters get away without a jail term, tax evasion may become more of an accepted practice in some circles."

Internal Revenue Commissioner Johnnie M. Walters, former assistant attorney general in charge of Justice's Tax Division, argues that "with rare exceptions, every tax evader should serve some jail time."

Randolph W. Thrower, former commissioner of Internal Revenue, says "the function of the sentence in the ordinary tax fraud case . . . is not to protect the public from the harm of further crime, or to deter the individual from continuing tax frauds, or even to rehabilitate him, but . . . to



deter others. The stigma of a prison sentence is the primary deterrent, rather than the danger of a long term."

IRS audits between two million and three million of the 110 million returns filed each year. On the audited returns, IRS special agents conduct 10,000 to 12,000 preliminary investigations of possible fraud.

If an agent thinks prosecution is warranted, a recommendation is forwarded to IRS' regional counsels, who refer between 900 and 1,000 cases to the Justice Department for possible fraud prosecution. Justice's Tax Division then narrows down the number even further.

From 1965 through 1969, Justice prosecuted an average of 640 fraud cases a year and, according to Mr. Walters, "achieved a 96 per cent conviction rate."

In the year ended June 30, 1970, Justice prosecuted 798 cases and got a 70 per cent conviction rate.

These figures illustrate that, on paper, chances of getting away with cheating seem good: 110 million returns filed, only up to three million audited, and just hundreds of prosecutions. But they also reflect the fact that the bulk of taxpayers are honest.

### Unequal treatment

Mr. Walters says statistics clearly show "gross disparity in sentencing" in criminal tax cases.

Not one tax evader has been sentenced to jail in South Dakota since 1946. Yet, in the Western District of Tennessee, 88.2 per cent of those convicted go to jail.

From fiscal 1946 through 1969, 41 per cent of tax fraud convictions in Ohio's Northern Judicial District resulted in jail sentences—just above the national average. In 1970, there were 20 convictions in the district; but no one was sent to jail.

Only 8.1 per cent of tax cheaters convicted in the Northern District of Alabama went to jail from 1946 through 1969; but in the Middle District of Alabama, the jail rate in those years was 58.3 per cent and in the Southern District of Alabama it was 50 per cent.

In the Western District of Virginia the rate was 6.2 per cent, but in the Eastern District of Virginia it was 35.6 per cent.

IRS' Mr. Worthy says: "We can pick judicial districts where the taxpayer will almost certainly receive imprisonment, and other districts where he almost certainly will not."

"Isn't it obvious that the judges are looking at different criteria, or, at least, are differing radically in the evaluation given to various aspects of common criteria?"

IRS and Justice officials believe judicial reluctance to jail tax evaders stems from the fact that most of those convicted of cheating are relatively affluent, have some stature in their communities and are above average in intelligence. Tax cheats usually are first offenders who never will be in court again.

"Judges see before them persons who may have been regarded as pillars of the community, who may have been humiliated by trial publicity, whose health may have suffered, whose families may have been disgraced," Mr. Worthy says. "So the judges' inclination is not to send the cheaters to jail."

"We think that attitude is wrong, even dangerous."

### No unanimity on the bench

Judges have been discussing tax fraud sentencing for years, and the disparity in penalties reflects a variety of opinion on the bench.

At one seminar, a judge from the Midwest said: "If the tax evader is of the criminal type, which is a gangster variety, I impose a fine and imprisonment. In all other cases where citizens get caught, my policy is to give them pretty stiff fines, but not jail."

But at the same meeting, a judge from the Southern District of New York commented: "Income taxes are collected on the honor system, and where a taxpayer defrauds the government he is not only breaking the honor system but he is committing a crime against all honest taxpayers who have to make up the government budget."

"So I think of tax fraud as being a crime against the community as a whole, whereas most felonies are committed against single individuals or institutions."

Obviously, from the record, the latter judge is still in the minority among his fellows. —ROBERT W. DIETSCH

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1/26/72



# Zenon Hansen of Mack Trucks

## Giving a company new get-up-and-go

Driving south through Allentown, Pa., an ordinary-looking, middle-sized city in the pleasant Lehigh Valley, you suddenly enter another world.

There, on the outskirts, is a broad, grassy boulevard. It takes you to a large, tan building whose appearance smacks faintly of those TV late-show movies that deal in lost civilizations.

Little bulldog insignia adorn signposts on roadways around the building. And towering above the entrance is the biggest bulldog you'll ever see. It's a low-relief model, 24 by 22 feet.

If your imagination is running free, you half expect to find chanting priestesses of some forgotten cult inside the building.

But it's no ancient temple. It's the new headquarters of a very-much-up-to-date company—a leader in its field with 14,000 employees, and plants not only nearby in Allentown but in Maryland, New Jersey, New York, California, Canada and four countries overseas.

The company is Mack Trucks, Inc., and the bulldog has been its symbol since World War I doughboys hailed

a snub-nosed Mack product for its rugged, tenacious performance on the battlefields of France.

Both company and symbol have been given new life by an ebullient businessman named Zenon C. R. Hansen, who has more than 44 years' experience in the truck business.

Zen Hansen, 62, the company's chairman and president, came to Mack in 1965 from a position as executive vice president and director of The White Motor Co. and president of its subsidiary, Diamond T Motor Car Co.—which he had taken into a merger with White seven years earlier. (He has since led Mack, which operates with near-complete autonomy, into subsidiary status with The Signal Companies, of Los Angeles.)

When he arrived, the heavy-duty truck maker (26,000 pounds and up) was facing heavy going. While competitors thrived, Mack profits were in a downturn. Morale had suffered. There had been five presidents in less than 10 years.

Today, profits are way up. Morale is as high as that 24- by 22-foot fiber glass bulldog.

At a time when many firms were putting old symbols on the shelf, Mack had lessened its emphasis on its identification with the bulldog. One of many steps Mr. Hansen took to renew the company's vigor was to renew that emphasis.

When you enter the headquarters building, you are presented with a bulldog lapel pin. Bulldogs are on stationery, advertising, carpeting, ashtrays, paperweights—even cookies in company eating places.

Bulldogs are everywhere in Mr. Hansen's sixth floor office—statues, portraits, on the pipe he incessantly smokes, on his cuff links and tie clasp. He may give you a key to the city of Allentown ("The truck capital of the world," it boasts). On it, too, is a bulldog.

At his home in suburban Macungie ("MACKungie," he insists) there is a room containing scores of model bulldogs. (Does he have a live bulldog? Enough is enough. He has three schnauzers.)

Mr. Hansen is notable for achievements outside the business arena as well as in it. He never went to college, but he's been at many of



## Lessons of Leadership: Zenon Hansen *continued*

them to receive honorary degrees, to serve as a trustee, or to speak.

It would take pages to list all his public service positions or fraternal memberships. They include: president, National Council, Invest-in-America; former national treasurer, Boy Scouts of America (an Eagle Scout, he earned 81 merit badges instead of the required 21); chairman, Committee of One Thousand, Freedoms Foundation at Valley Forge.

Accepting all the awards he receives for good citizenship (the sources range from the Fellowship of Christian Athletes to the United Jewish Appeal) is almost a full-time job in itself.

The following interview with a NATION'S BUSINESS editor may give you some clues as to how Mr. Hansen has been able to achieve what he has.

*Mr. Hansen, you have been in truck manufacturing since you were 18, haven't you?*

Actually, I started out in the parts department with International Harvester Co. In those days, in 1927, their truck business was not anywhere near as big as it is today, and anyone working with them who indicated an interest in trucks was told he might not have a great future. The really great part of the business, he was told, was in farm equipment.

*But you indicated you were interested in the truck business, anyway?*

That's right. I stayed in it and maintained my interest.

*What prompted that interest?*

Well, the truck industry was new, and intriguing to a young man.

*At 55, you left Diamond T and White Motor to take on an unknown quantity. What led you to do that?*

Really, the challenge of turning something around and establishing its rightful place in the industry.

One of the first accounts I called on, when I started selling trucks as a commission retail salesman in the '30s, had a Mack bulldog on his desk. And as I called on other accounts I also would run into that bulldog. The bulldog kind of created an inferiority complex for those of us in competitive companies, because



*Mr. Hansen escorts a fellow executive (left) into Mack headquarters. Across the street—Mack Boulevard—is a United Auto Workers building of similar style but sans giant bulldog.*

we recognized the great product that Mack manufactured.

So when there was an opportunity for me to come to Mack, I thought: "I've been in this industry a long time, and in the closing years of my career I might just as well end on top if I can."

*But Mack wasn't on top, was it? Hadn't its share of the heavy-duty truck market dropped from 21.4 per cent in 1959 to 15.9 in '64?*

That's correct.

*How did you turn the company around?*

Well, I was a newcomer. I had not been inside Mack Truck's offices, factories or anywhere. So when I arrived, without my family, I worked from early morning till very late at night boning up on everything.

Mack's big problem, I found, was not being able to keep up with the growth of a rapidly expanding industry. It had suffered for lack of planning and perhaps management in previous years, and though it had

kept up product-wise, technology-wise, it hadn't increased production facilities to meet the requirements.

There were times when Mack could not meet the customers' demand. It had a very substantial backlog.

Most people were under the impression that Mack was producing all the trucks it could produce. But we went up to 70-plus trucks a day with virtually the same facilities that had been producing 50 to 55 previously. With an addition to the Allentown plant, which was started within two or three months, we were able to increase production still further.

Then, the financial community all talked about Mack's labor relations problems, and the tremendous drains from our Hagerstown, Md., plant and our foreign operations, which were operating at heavy losses.

Well, coincidentally with the production increase we concentrated on establishing better labor relations.

Then we took a serious look at Hagerstown. Outside consultants, instead of management, had selected the plant location and laid out the plant. There were many reasons why it was not producing as it should.

So that was worked out, and within a reasonable time Hagerstown had increased capacity and become profitable.

We also went to work on our foreign operations. For instance, their headquarters were in Bermuda. It was really a country club. We closed down the Bermuda offices and brought those who were necessary back to the headquarters office where they could work together without loss of time in travel and communications. And before long, we had foreign operations on a profitable basis.

Now, another thing: Mack had moved into new headquarters in Montvale, N. J., about six months before I came.

And during those long evenings of work when I used to go through the building, I managed to wander into the beautiful reception room and just 'accidentally' look into the visitors' register.

I found out that nobody came there. There were no customers, dealers or suppliers to speak of.

And in trying to communicate with



some of the key executives, why, I found out that they were either en route to or from Allentown or Hagerstown or somewhere else. There was an awful lot of lost time.

The decision was made to move to Allentown.

*What did you do to establish good labor relations?*

Well, one thing I have found is that the boss should not hesitate to face employees personally.

Regardless of what a burden it might be on me to do so, I have made it a practice, when the employees are having a picnic or anything on a weekend, or a meeting in the evening, to try to attend. And that's whether it's at Hagerstown, or Allentown, or Somerville, N. J., or at our Brockway Motors Trucks subsidiary in Cortland, N. Y. I haven't slighted anybody.

I have gone to retirees' annual or semi-annual gatherings whenever possible.

Then we have various small social groups within the company, and whenever they have Christmas parties or other affairs, why, I try to attend. We encourage all of our top management to do so.

I have gotten a lot of good first-hand knowledge talking to some of the people directly. I even have heard from some union members about complaints that they thought maybe their officers weren't bringing to the front.

We also started our house organ, *The Mack Bulldog* magazine. And we have told the employees we would keep them informed on anything important. We have been very straightforward.

*In addition to making for better team spirit, does this sort of thing affect results at the bargaining table?*

At least it does this: It creates a better spirit of understanding and respect for each other at the bargaining table.

*What share of the heavy-duty truck market does Mack now have?*

Well, that varies from month to month, but it's been 18.8 per cent recently. In 1970, we regained No. 1 position in diesel truck sales.

*Doesn't Mack have the lion's share of U. S. heavy-duty truck exports?*

Yes, Mack has been very fortunate in its ability to maintain its export markets. We have varied from 40 per cent in some years to, well, for the first six months of 1971 we were at 48-plus per cent.

*Have you faced competition to any extent from foreign imports?*

Well, not quite. We have had to absorb heavy wage and fringe benefit increases.

*Mr. Hansen, your attendance at those employee gatherings might be considered extracurricular, and certainly the numerous public service positions you have held are. How do you manage to do it all?*

Well, you can always find time to



*One reason for Mr. Hansen's success at Mack Trucks: He managed to boost production when the boost was vital. Another reason: Better labor relations. These men are at one of the company's Allentown factories.*

Actually, up to the present time, I don't think any U. S. heavy-duty diesel truck manufacturer has.

*In 1964, the year before you took over at Mack, sales were \$275 million. How are they going now?*

We had \$534 million in 1970. Our first six months of 1970 were all record-breakers. But then came a crunch in the money markets, and the last months of the year felt it. In 1971, we were not able to surpass our 1970 sales pace until August. Sales for the year should come to more than \$545 million.

*Are profits keeping pace with the growth in sales?*

do the things you want to do. I have to work harder, that's all.

*Do you have special techniques for compressing more work into less time?*

Actually, no. I'm able to read pretty fast and to absorb facts that are necessary to the business and forget about those that are not.

And at Mack we have two pure jets, a turbojet and two jet helicopters, all of which help me and other executives to get more done.

*Do you go from your home to your office by helicopter?*

No. My drive from home is only about 10 minutes. And I often come



## Lessons of Leadership: Zenon Hansen *continued*

in very early and sometimes go home late—last night it was 9:15 when I left the office. There's no point in having a helicopter crew standing by for that.

I have, though, been picked up by helicopter at home in winter when snow has blocked the roads, or if I've been going out to the airport at the high density traffic hour in the morning.

I use the 'copter on trips to New York, Philadelphia and Washington.

*You said you worked until 9:15 last night. What's a typical working day?*

Actually, there is no typical working day. The schedule depends on what there is to do.

Now, I was involved in an important meeting in Jacksonville, Fla., yesterday, which was not over until about 2 in the afternoon. So our jet brought me—and an associate who was dropped off at Norfolk, Va.—back up. We arrived in Allentown at 5. The helicopter was at the airport and I was in my office at 5:05.

Well, there had been an accumulation of material from the previous afternoon when I left for Jacksonville, so I had to go through it and get ready for a dictating session this morning and handle some other matters so that I can leave tomorrow noon for a trip west.

We work weekends and holidays at Mack Trucks.

*"We" meaning executives?*

I mean not only me, but many of my associates as well as my secretaries.

*Do you feel you get enough rest?*

I can get by on very little rest as long as I have something interesting and challenging to do. But if I let down or there is a lull, then I feel I need a lot more.

*Is trucking still a growth industry?*

Oh, yes.

*Do you see any major change ahead in trucks? A new power train, perhaps?*

Well, there are going to be changes to gas turbines or other types of power trains, but that is for the future. We are working on them.

Keeps us pretty busy. But I don't see anything tomorrow.

*Was your merger with The Signal Companies in '67 aimed at getting capital to finance growth?*

No. That was the "mergeritis" time, when a lot of companies were looking at other companies and a lot of individuals were looking to move in to take over.

Mack, which had had a rather poor earnings record, had a very fine year in 1966. Earnings had gone from 92 cents a share in '64 to \$4.26 in '66.

When a company turned its earnings around and the outlook became favorable, why, naturally all the vultures zeroed in. I can't even recall how many different companies tried to take us over.

Sooner or later, regardless of the fact that we were doing a good job and wanted to be independent, we were going to be the victims of a take-over, and perhaps by someone we didn't want to be taken over by.

So we looked over all the candidates and when we met the group from The Signal Companies we decided that as long as we had to get under the umbrella of someone, they were the best opportunity for us. Their philosophy was to allow companies to operate autonomously. And each of their segments was in an industry unto its own—Signal Oil and Gas Co., for example, and Garrett Corp., in aerospace.

*Have there been drawbacks?*

Frankly, none.

I don't know of any association that could be as good as this one. In 1970, when the financial crunch occurred, we had to rely heavily on Signal from time to time, and naturally we had problems. But they certainly were not serious.

*Mr. Hansen, getting back to your personal career, did you miss much by not going to college?*

Not a damned thing.

*Is it still possible for a young man to be a business success without college?*

Yes. I think it is more difficult today, however, because we have such contradictory laws and opin-

ions in this country. For instance, we talk about fair labor practices and equal rights and all those things. But just recently I met a young man at a company and told him I would see him again.

And he said, "No. I won't be here because I have to go back to school to get my master's degree."

I said, "What in the hell do you have to get that for?"

"Well," he said, "I have been passed over twice for promotion because I didn't have a master's degree. That's just one of the requirements here. The degree isn't going to do me a damned bit of good, but I've got to get it."

The same thing holds true in hiring practices at government agencies and other organizations.

We have this built-in handicap for people who just don't happen to have a college degree but who may be equal or better in knowledge and experience.

*Have you eliminated that handicap in your company?*

Definitely.

*Are there other top executives at Mack who have not been to college?*

You know, I haven't even checked. Of course, our executive vice president of engineering is an MIT graduate.

And our legal people are law graduates, and so forth. But, well, yes, our executive vice president of marketing never went to college.

*You have been quoted as saying that too many kids who are not qualified go to college, and that one of the problems is "pushy, selfish parents."*

No question about it.

*And you have said the worst thing that's happened in America has been the invention of the safety razor, because the old-fashioned razor strop disappeared.*

That's right. That and the formation of the P-TAs.

*How about your own upbringing? Were you subject to the razor strop?*

I was very definitely subject to the razor strop, to the strictest discipline. And also taught to say Yes, sir,



No sir, and Thank you, and to behave myself.

I was also brought up under the philosophy that children should listen to what their elders said, and not voice opinions.

That, of course, was prior to the time that we oldsters decided to give the country to the younger people.

*How about your own three sons?*

Well, they are all grown, and none of them has been a problem. Only one saw fit to attend college. And then, after leaving college, he worked for a few years and decided to return to get his law degree, which he has done on his own. He is now establishing his own private practice.

The other two are coming along satisfactorily.

*Mack Trucks has been a financial supporter of educational institutions. Has wildness on campus affected the company's policy?*

We have discontinued support of schools where it appeared that the students were not appreciative of the opportunity being given to them, and where there were indications that the faculty was far-out.

I get sick and tired of hearing that industry hasn't done a good job of selling our educators and students on the benefits of the free enterprise system.

If these college professors are so damned smart, they ought to know that in many instances the endowments for the buildings they are in, the very campuses they are on, have been created by the blood and sweat of people who never had a college education. If they are so dumb that they can't figure that out, we ought to get rid of them.

*Mack has widely distributed a folder on how to display and honor the U.S. flag. How did that come about?*

When President Nixon was inaugurated, I was on the platform not too far away. And I could observe the behavior of the members of our Supreme Court, the President's Cabinet, members of both houses, the Governors of states and so forth.

It was appalling to me that, when the flag was presented, there was

PHOTO: TUCKER GRAMOTE



Mr. Hansen's modernistic home is crammed with memorabilia—notably bulldogs he's collected or been given. But there is no live bulldog. "I work for a bulldog," Mack's top man says. "He might bite me." In the background: Mr. Hansen's wife, Juanita, and his son, Zenon, 34.



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## Lessons of Leadership: Zenon Hansen *continued*

either a lack of knowledge of how to respect it, or lack of desire, on the part of so many of these important people. And this was on national television.

So upon my return I asked the Flag Plaza Foundation in Pittsburgh to produce a pamphlet for us.

*Mack recently engaged in negotiations, now terminated, about supplying the Russians with truck-making tools. Do you see anything incompatible between this type of business deal and patriotism?*

Absolutely not. As a matter of fact, Mack thought it was patriotic. We are the only major nation not really trading with the Soviets, though many American firms do business with them through foreign subsidiaries from which we get no balance of trade credit or employment or anything else.

And manufacturers from Britain, Germany, France and Italy, for instance, had been endeavoring to secure the business. Nothing was going to be furnished to the Soviets that they couldn't get on their own or from some other country.

*You were born in Hibbing, Minn., but went to grade school in Miami, Fla., and to high school in Sioux City, Iowa. Why so much movement?*

My mother and father were separated when I was about four years old. I was raised by a grandmother and a couple of aunts.

*Your first name is unusual. A family name?*

No. When I was a boy, I disliked it very much. I found out that my mother, prior to my birth, had been reading a book in which there was someone by the name of Zenon.

In those days, we lived in a community that was primarily Scandinavian. We had Swedes, Danes and Norwegians, and there were a great many Hansens, spelled either "s-o-n" or "s-e-n." And the first names were all Scandinavian.

My mother decided I should have an unusual name. So she chose Zenon.

Until recently, in all my travels, I had heard of no other Zenon, except

once during World War II. However, during the publicity over Mack's possible participation in the Soviets' truck plant, two Zenons wrote to me. Both were so interested in finding someone named Zenon that they journeyed to Allentown and we had visits.

We have since found another Zenon. We are thinking of forming a Big Z or Zenon club and trying to find out how many people there are by that name.

*Had the other Zenons' mothers also read that book?*

No. One of these gentlemen is of Polish extraction and the other, Lithuanian, and I find there is a background of using the name among Poles and Lithuanians.

*Your mother also decided to change the spelling of your last name, didn't she?*

Yes. The name should have been spelled "s-o-n." She decided to change it to "s-e-n" when we moved one time. And it stuck.

*Mr. Hansen, what would you say has been the smartest decision you've ever made?*

I think it was when I decided as a young man not to do what I started out to do—work a while and then go to college—but to keep on working.

*And what has been your biggest mistake?*

Probably that I have not devoted enough time to my personal affairs, particularly financial. I have devoted a great proportion of time to civic affairs and my businesses.

But I am going to get along all right. And I have had a great deal of personal satisfaction working with and helping people. So I'm not going to worry about it. **END**

REPRINTS of "Lessons of Leadership: Part LXXX—Zenon Hansen of Mack Trucks" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



# The Executive Job Market: Busier

Recruiters say many of those in managerial ranks are thinking about making a change—and there's many a spot waiting for them



ILLUSTRATIONS: RALPH ROBINSON

After a draggy performance in 1971, the executive job market outlook has brightened considerably this year.

That's the consensus of a group of men who search out and supply top managerial talent to U. S. business.

The big variable in the picture, these executive recruiters say, is the strength and quickness of the economy's recovery. If the upturn gathers momentum quickly and 1972 is the "very good year" the Nixon Administration has talked about, demand for executives is expected to pick up strongly.

But even if the economy continues a slow-paced expansion, demand for executives should grow, experts say.

"Over-all demand should be up due to the many job cutbacks over the past two years," says J. Francis Canny, board chairman of Canny, Bowen, Howard, Peck & Associates, Inc., a New York-based executive search firm. This attrition has left management thin at the top levels in many firms, he thinks.

"However," Mr. Canny says, "if the gross national product doesn't rise, demand should remain about the same as in 1971. A real growth in GNP will create much more executive mobility."

One dissenter to the belief that

1972 will prove a more active year for executive recruiting is Jack Lawrence, president of Jack Lawrence & Co., of New York. He thinks smart companies learned last year to get along with fewer managers, and won't aggressively look for talent in 1972.

On the other hand, one New York executive recruiter thinks 1972 could be "the year of almost frenzied mobility in the executive suite." The collision of two trends—the rising demand for executives as the economy turns around and a high degree of executive dissatisfaction—could result in "a real explosion in executive job switching," says O. William Battalia, president of Battalia, Lotz & Associates, Inc.

A recent survey by his firm shows executive restlessness to be about three times as high as it has been on the average during the last decade, Mr. Battalia says. Fully two thirds of executives surveyed voiced unhappiness with their jobs.

Their chief complaints: uncertain advancement opportunities, inadequate pay and lack of sufficient responsibility.

Some other prominent features of the executive job landscape, as seen by recruiters:

**Employer Needs:** The manufacturing executive could be heavily in de-

mand this year. Somewhat of a forgotten man in recent years, he will find himself in one of the most critical management roles in 1972—provided he has the sophistication to hold down costs, apply advanced techniques and get the product out the door.

"As the economy starts moving up, manufacturing problems assume a more important role," comments J. R. Yelverton, president of Wilkinson, Sedwick & Yelverton, Inc., of San Francisco. "This year, manufacturing will be under pressure for two reasons. First, many companies will be building up again after the recession to serve expanded markets. Second, direct cost pressures on manufacturing will be severe."

"With prices fixed and with strong competition from abroad, prime manufacturing costs will have to be held steady or driven down. Some real sophistication will be needed."

There should also be good demand for executives in other corporate areas, recruiters believe.

"We think the sales executive is the guy who's going to be in demand in 1972," asserts James A. Skidmore Jr., president and chief executive officer of Handy Associates, Inc., of New York. "Management has already cut costs to the bone. Now, the only way



## The Executive Job Market: Busier *continued*

it can increase profit is to increase sales, especially with price controls on.

"Sales managers in demand will be executives who are able to do sound sales planning and train a sales field force."

New demands on the corporate treasurer and controller could spur a need for executives who can provide more thoughtful and imaginative techniques in those areas. Helping to complicate the financial manager's job in 1972 will be the Phase II controls, new accounting rules, new demands for accuracy in reporting, changing sources of capital, mobile interest rates and changes in the tax structure, says Wilkinson, Sedwick's Mr. Yelverton.

And skilled general managers, of course, will always be in demand, recruiters say. This year, however, the man who can run the show will have renewed value to profit-thirsty companies.

Executives whom recruiters see in the least demand: most of the staff specialists in areas like communications, planning, environment, research and engineering.

"For a period of time, when profit margins are squeezed, many companies can get along with mediocre people or no one at all in these functions," says E. R. Hergenrather, president of Hergenrather & Co., of Los Angeles.

Another area that will experience a continuing high level of demand: lawyers. "You're in a controlled economy, up to your eyeballs in red tape and complex government regulations," points out Handy Associates' Mr. Skidmore. "If a company ever needed competent legal counsel, it needs it now."

With law firms paying top dollar, corporations have to offer "whopping" salaries to get recruits for their legal staffs, he says. Students out of prestige law schools with good academic records are getting \$14,000 to \$16,500 to start.

**Executive Compensation:** Some recruiters think that in the light of controls, many corporations will keep a lid on raises in executive compensation—Bridgford Hunt of The Hunt Co. in New York estimates an overall increase of about 5 per cent.

But, says Mr. Hergenrather, some companies will go all-out in offering compensation incentives "if it means getting the best man to beat the competition and survive."

And Marshall Noecker, a consultant at Arthur D. Little, Inc., Cambridge, Mass., says: "I don't think Phase II will substantially affect the executive job market."

He thinks there is likely to be free-wheeling change in executive compensation in small, growing businesses which have greater flexibility to expand job responsibilities and which come under less scrutiny from the government.

A manager's chances to command higher compensation if he changes jobs will depend greatly on the industry he's in, recruiters say. Most promising, they say, are growth industries like housing, mobile homes, health and hospital care, pollution control equipment, banking, equipment rental, building materials, drugs and cosmetics, household furnishings and forest products.

Less promising, they say, are mature industries with overcapacity—such as paper, steel and aluminum. The same holds true for regulated industries such as airlines, railroads and public utilities.

**New Titles:** Despite the cutting of fat during the last few years, and the "stick to basics" philosophy, recruiters predict some new executive titles will be born, or begin to mature.

Wage and price control specialists may appear on the organizational charts. There may be modest demand for environmental specialists, broad-gauged communications experts and representatives in Washington to keep abreast of the controls that will affect a company in the marketplace.

Another possible budding area: political relations directors who will be expected to deal with government and citizens groups as increasing interest is shown in industry's effect on individual citizens' lives.

An area that has ramifications for men seeking to move into high echelon jobs is what the recruiters like to call "the changing role of the company president."

It is expected that the presidents of large companies will have to spend more of their time handling pressures from government, the financial community and the public. "The job of president has always involved profit accountability; now it will carry a greater degree of social accountability," comments William B. Beeson, manager of the executive recruitment department at Lawrence-Leiter & Co., of Kansas City.

And the forces that alter the chief executive's job will also change other management functions. Increasingly, the presidency of a large company is split between the chief operating officer and the chief executive. The concept of the office of the presidency—consisting of several executives in-





cluding one or more executive vice presidents—may grow, suggests Mr. Lawrence of Jack Lawrence & Co.

**Reasons for Job Changes:** While the old motives for moving on are still there—more money, a bigger job, or what the executive considers a better company, a better geographical location or better working conditions—there are new reasons, too.

"A greater interest in life style, as against more money or greater responsibility, is apparent among very top officers of well-managed companies," reports Mr. Lawrence. "Life style is affected by geographical location—climate or proximity to resorts, for example."

Says Wilkinson, Sedwick's Mr. Yelverton: "We will see continued interest among executives in moving from some of the more troubled large cities toward areas of lower population density. There will also be a decided increase in interest in joining smaller rather than larger organizations."

Escaping excessive burdens of commuting, travel and entertainment requirements are motivating factors, reports Mr. Hergenrather. "Executives—and their wives—are also increasingly interested in adequate schools and less pollution," he says. "By 1975 the life style factor will be more important than compensation or personal growth opportunities."

**Toughness of Recruiting:** Most recruiters think it's going to be tougher to pry top-notch talent away to new positions this year. More companies are finding better ways to bind capable executives to them. More sophisticated compensation packages, for instance, make it difficult for men to leave.

In addition, companies are telling executives where they can expect to go in their jobs, and when they can expect to arrive. It makes the future less uncertain. Another factor: Many high-caliber executives already are doing well, and a big pay hike doesn't interest them.

"With all the publicity about executives who have been recession casualties, men in good current positions will show extra reluctance to move," says Lawrence-Leiter & Co.'s Mr. Beeson.

END

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## New York State.



# Up the Pyramid ... er ... Doughnut ... er ... Beehive!

New forms of corporate organization are coming into their own as many executives decide the pyramid is "square"

Doughnuts, grapes and beehives.

Those aren't items on a grocery list. They're descriptions of some of the new forms of corporate organization gaining favor in the rapidly changing Seventies.

"Take five separate product divisions, then try to sell three of the five products to one market segment—say utilities. When you do that, conventional organization charting isn't worth a cent." Thus states the president of a large multiproduct firm.

Or take the case of a giant retailing firm.

"When we had one large downtown department store," an executive says, "we had a conventional organization chart. Now we have branches as well as the big store—plus a lot of supplier firms, and a few wild-shot operations spread around."

"How could you make that fit the old chart?"

These are two of the simpler kinds of problems faced by corporations today.

The problems have led to a quiet revolution in corporate organization.

Result: A variety of organization forms never imagined by the experts who produced the once hallowed and now all but outmoded organization chart which resembled the pyramid.

## Under fire

Everybody, it seems, is taking potshots at the old-fashioned pyramidal style.

Ex-Avis chief Bob Townsend, in his semihumorous book, "Up the Organization," suggests that you can do best by chucking your organization chart altogether. It "strangles profit and stifles people," he says.

DR. GEORGE S. ODIORNE, author of this article, is dean of the College of Business, University of Utah, and a well-known authority on management.

Canadian savant Lawrence Peter argues that managers tend to rise in an organization to their level of incompetence and then stay there. He suggests that the organization chart is partly at fault.

Now, instead of the massive pyramid, we have a stretchable rubber sheet.

What are the major trends in this flexible approach to corporate organization?

Some of the latest models have names like matrix, bottom-up, collegial, ladder, beehive, project management, task force or doughnut.

Confronted with such an array, how does an executive distinguish between them? More importantly, how does he decide whether any are useful in shaping his own organization?

A close look shows that organizational forms tend to fall into two categories:

One starts with the assumption that all authority and responsibility ultimately rests at the top of the organization, except for those things specifically delegated to lower levels. This is a traditional kind of organization, which is ruled by procedures and directives and has a



chart showing who are the order-givers and who are the order-takers.

The other starts with the assumption that the authority of people in an organization to act is unlimited except where there is a specific policy or law which prohibits such an act. It also assumes that the objectives are clear, and it's often associated with firms where management by objectives is the operating system. This is an energy-releasing kind of organization, where anybody who has a good idea related to his objective goes ahead and carries it out—if it hasn't been explicitly forbidden.



Har



The second approach seems to be that behind most of the new organizational forms.

Let's look briefly at some of the major varieties:

**Bottom-up management:** Originated by William G. W. Given, former president of American Brake Shoe (now Abex), this is designed to push the decision-making power and initiative down to the lowest possible level in the organization.

Stronger delegation, more responsibility at lower levels, and plenty of authority to act are its essential features. It has been rather widely adopted in various ways by many American corporations.

**Collegial management:** More widely used in Europe than America, this deals with the very top levels of the firm.

The name means that the organization pyramid doesn't have a single head, but a group in charge. This is sometimes called "the office of the president" or perhaps "executive committee," and is occupied by two or more executives of equal status.

**The beehive:** The final chart here resembles the outline of a beehive.

The system is three-dimensional and consists of a series of concentric rings on top of one another. The people at the vice presidential level, for example, comprise one ring, the plant managers another.

The boss in that circle becomes sort of a queen bee. The chart attempts to show relationships at human as well as formal levels. The result is better personal relations, improved communications.

**Project management:** The organization looks something like a bunch of grapes hung under the organization chart. When one ripens and falls off (i.e., the project is completed) the people go back to their regular organization chart boxes until a new project comes along.

This has grown to be the dominant form of organization in both government-sponsored and private corporate research.

Says one pharmaceutical research chief:

"We found that research budgets went up and new products went down year after year, until we threw out the departmental format for doing research. Now, we only use our departments of chemistry, virology, microbiology, computer science and the like as home departments out of which we pull people for the projects, named after the objective we want to accomplish, such as a measles vaccine or some similar product."

**The doughnut:** Resembles the beehive, but is really a two-dimensional chart of concentric circles.

The top officers comprise the inner ring, with staff specialists in such areas as personnel, finance, legal and engineering work in the second ring, not reporting to any particular officer, but accessible to all.

The third ring consists of divisional general managers or subsidiary company presidents, not responsible to any single officer as they would be in a divisionalized organization with general managers reporting to group vice presidents.

C.I.T. Financial Corp. has done well operating under this kind of circular chart. President Walter Holmes says the organization has achieved a "high degree of rapport" among managers of every level.

Some see this as the right format for conglomerates, whose units are so diverse that no other clustering of groups seems to fit.

**The matrix:** If a company has a variety of products with a sales force for each, it may run into trouble when it takes a whole package to a new market. For example, Honeywell makes temperature control devices, switches, computers, valves and cameras. How can the company sell them to a big market, like public utilities? It might, for example, have salesmen from each division tramp into the purchasing managers' offices, but this would be costly and perhaps ineffective.

One solution is to create a product management position with responsibility for putting together packages of Honeywell products suitable to utilities, and selling them the package. This lateral slice across autonomous divisions, all of them aimed at special markets, is the essence of the matrix form of organization.

Prof. John F. Mee of Indiana University, a major architect of the matrix system, suggests it will be a dominant form of organization as we get more complex products and more sophisticated managers.

The test for most companies is the profit yield, which appears to be high as new markets and applications for existing lines emerge. The system also produces ideas for whole new lines to research, and for engineering developments.

**The ladder:** Similar in design to the matrix, this is an attempt to get more output in large companies from growing numbers of staff experts. In a conventional organization chart you have a layer of them just below the chief executive. Here, you slip them out and stretch them vertically—like a ladder—along the side of the



## Up the Pyramid ... er ... Doughnut ... er ... Beehive! *continued*



*Have*

chart. Thus, they resemble the gantry crane used to service a huge missile.

The experts can enter the organization at any level and have quick access to the spot where they are needed most. That way they avoid being tied up by protocol before they go into a situation to help.

The ladder can also be used for special career patterns and routes to higher pay for scientists. Take Dr. X, who is a great scientist but somewhat less than talented in administration. Ordinarily, unless he is promoted to a vice presidency, he couldn't expect to make it big financially. But all vice presidents in the corporation have administrative duties.

The answer?

Parallel ladder routes to the top.

Because Dr. X is an inventor and a genius in technical matters he can get raises on the technical ladder which equal those of a line vice presidency, yet the company isn't obliged to inflict his disruptive leadership on the rest of the organization.

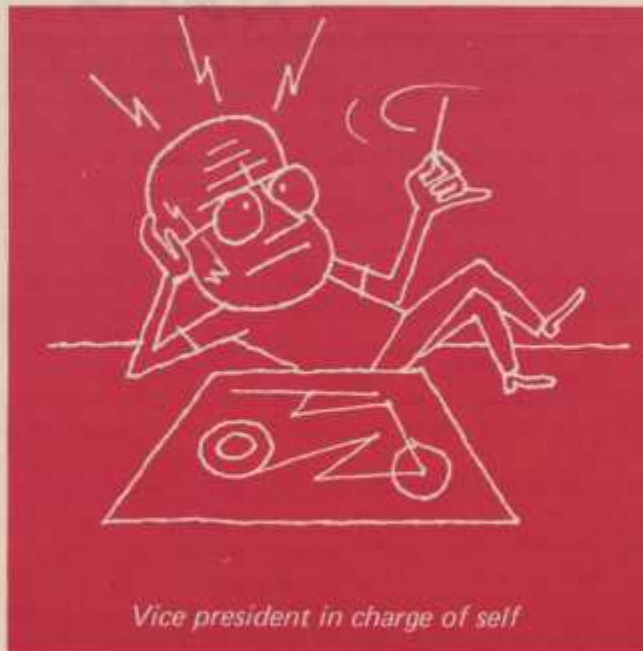
In one national electronics research firm, the main inventor is a vice president, but a close look shows that he is in charge of only one person—himself.

**The task force:** This is an old plan which has taken on new vitality since the traditional organization chart has been losing favor. The task force should be centered on a specific objective, with time and budget commitments clearly stated. One of its main advantages is that it lends vitality to a job.

The old bureaucracy is replaced with what one wag has called an ad-hocracy, referring to the task force's temporary nature.

Unlike some government commissions which, once established, are never disbanded, the task force folds up when its job is done.

This has lots of advantages. You can get people to



*Have*

serve on a task force who would balk at a standing committee. They know that when the goal is reached, the team disbands.

### Out with the old?

Do all these innovations mean that the ordinary forms of organization planning and charting are obsolete? Do we no longer have line and staff, with divisions, functions and departments?

Obviously, we won't throw them out completely. Many leading corporations, including General Motors, Ford, General Electric, IBM and Du Pont, still operate in this manner.

The reason for doing so, however, is not to conform to some theoretical "law of organization." Rather, it's to use a form of organization that will get the company where it's going faster than any other form will.

The big change is not in organization charts but in attitude. Managers are paying more attention to company and unit objectives. Once you know where you want to go, organization charts and planning become means for getting there.

Thus, the best advice for executives is:

Get your objectives clear and organize in the way that is most likely to help you achieve them. If, in the process, you have to throw out some old organizational theories, don't worry.

If they won't work, they weren't very good to begin with.

END

REPRINTS of "Up the Pyramid ... er ... Doughnut ... er ... Beehive!" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.



# Indian Wool Makes the Grade

Nobody wanted the wool from the reservations; then, a retired businessman found the way to sell it—and to create a dramatic new enterprise

George W. Hubley Jr., a chief in the Bureau of Indian Affairs, sat down at his desk at the Interior Department in Washington last March 15 and dashed off a worried longhand note.

The wool market was "glutted," he wrote, and the price of wool had plummeted. Navajos, who expected to clip three million pounds of wool in another 80 days, had borrowed heavily on it in advance, and it didn't appear that they could sell it at an adequate price—if at all.

"Do you think you can find a new market?" Mr. Hubley asked.

The note went to Irving Schwartz, a white-haired businessman who had come out of retirement to enter public service two years earlier, and who had been in his current job as BIA commercial and industrial development specialist for just two weeks.

What Mr. Schwartz did as a result not only moved several million pounds of unwanted Indian wool at a time when the general U. S. wool market was depressed, but led to a dramatic new enterprise for the na-

tion's Indians—the selling of their traditional, ceremonial garments through a management firm of their own, with big-city department store outlets.

For a long time there had been no wool marketing problem for the Indians.

"The industry goes way back among the tribes, principally the Navajos," explains Mr. Hubley, head of BIA's division of industrial and tourism development. "The sheep go back to when the Conquistadores brought them in from Spain. There is little difference between then and now in the way they raise their sheep.

"But the inevitable happened. Synthetics arrived. The imports came in. Indian wool got a bad reputation because poor grades were dumped in with the good."

Indian wool is polluted by wind-driven dirt and weeds, according to BIA reports. It shrinks more in scouring than Texan or Australian wools do.

Experts were calling the 1971 general wool market the worst since the 1930s. Navajo wool, especially, had nowhere to go. There were three mil-

lion pounds in Albuquerque and Roswell, N. Mex., warehouses. Another 1.5 million pounds were stacked in and around the reservations of the Navajos and of a smaller group, the Zunis.

## Thumbs down on handouts

BIA people say 75 per cent of the Navajos, whose reservation is the size of West Virginia, raise wool. With the product not selling, an estimated 12,000 to 14,000 Navajo families faced the prospect of living on relief checks—hundreds of thousands of dollars in federal handouts.

"My contribution at that point was to bring in Irving Schwartz," says Mr. Hubley, "to set up Indians as entrepreneurs in various commercial fields. An innovative approach was needed in a variety of Indian trades."

Mr. Schwartz, early in the 1960s, had ended a long business career. He had left a large family-held El Paso, Texas, department store to retire with his wife to their ranch in New Mexico.

Then, when President Nixon named El Paso's Hilary Sandoval Jr. to head the Small Business Administra-

*Photos ret'd to 2/4/72*

A Navajo rancher in Arizona grades sheep by marking their coats.





tion in 1969, Mr. Sandoval urged Mr. Schwartz, an old friend, to join him in the Washington fray. Mr. Schwartz hesitantly agreed to become an SBA official "temporarily."

But when Mr. Sandoval quit after two years, to return to El Paso, Mr. Schwartz was still at SBA. Then Mr. Hubley convinced him the challenges were much greater at BIA.

Now, two weeks after his arrival at BIA, he was facing one of those challenges.

First, he set up a series of meetings involving Congressional, Agriculture Department, White House and wool marketing officials, in search of foreign and domestic outlets for the wool. Nothing appeared to happen.

Then he contacted Dr. W. D. McFadden, associate professor of animal science at New Mexico State University, Las Cruces—who, Mr. Schwartz says, "probably knows more about wool than anyone in a vast area."

Dr. McFadden took warehouse samples and "was surprised to find 70 per cent of it was fine French and staple wool," says Mr. Schwartz. "No one really had known that, except for some traders who had been buying Indian wool cheap and selling it high."

The discovery that he had high-grade wool on his hands led Mr. Schwartz to Morton Darman, president of the Wool Manufacturers Association of America.

#### High marks for grading

"I asked whose wool *did* sell and why," Mr. Schwartz recalls, "and he said New Zealand's because it was graded and packaged the best. From there it was a matter of selling the Navajo Tribal Council on grading and packaging."

Things worked quickly then. BIA signed a contract with Wool Growers Warehouse, Inc., of Casper, Wyo., which moved its equipment hundreds of miles onto the Navajo reservation to grade and bale, and taught a group of Navajos how to do their own grading.

On Dr. McFadden's advice, a Denver laboratory certified the grading.

By July, four months after the crisis was dumped in Mr. Schwartz's

lap, the first wool—better packaged and graded to show its true quality—began to sell.

"The first thing that happened was an order from the Boston area for one and a half million pounds," Mr. Schwartz says. "It nearly knocked us off the table. Virtually no other wool was selling in America."

Before long another Boston area firm bought nearly another 1.5 million pounds.

Other sales were made in Texas and South Carolina, "and even to Mexico," says Mr. Hubley, "which is the first time Indian wool ever has sold to a foreign country."

"There are negotiations with Spain, too. They are seeking 250,000 pounds to be sold from Indian excess. The wool business has come full circle—with the product being brought back to Spain several hundred years later."

With the Navajos getting three to four times the price for wool in 1971 that they ordinarily would have gotten, because of the grading and packaging techniques, Mr. Schwartz's next step was to devise a program that would guarantee continued sales.

#### Traditionals approach

What he came up with was something called "American Indian Traditionals," bringing the nation's Indians into a business partnership with New York fashion leaders, backed by BIA and the Smithsonian Institution.

The Schwartz plan sets up a profit-making organization of small businesses on various reservations, under one main head—it's administered by a \$20,000-a-year manager in New York—to produce traditionally crafted items.

Natural resources of the reservations are to be used, to make the products authentic.

Vegetable dyes will serve as a barrier against cheap copies and a New York advertising agency has been developing product labels that vouch for authenticity, explain traditional meanings and, in some cases, name the individuals who made the items.

"Products will be marketed only with permission of the tribal councils,"

says Mr. Schwartz, "because traditions are involved."

When such permission is granted, he adds, "the exclusive Pueblo ceremonial shirts, for instance, or the ancient Indian rain belt will go to the public in the name of high fashion."

Wool is the basic fiber of the enterprise. But cotton, as well as leather, stone and metal accessories, will be part of the line.

Indian maids are to be used in fashion shows. Stanley Marcus, head of Texas' Neiman-Marcus stores, reports he will sell Indian fashions. So will the nationwide May Department Stores Co. Several independent stores, such as the Popular in El Paso, Mr. Schwartz's old firm, have signed up.

A retail-wholesale outlet, set up in New York, is to serve as a showcase for Indian artists, potters and weavers, who can sell their goods there.

Financing is to come in part from BIA, for training Indians. And "earnings from individual reservation companies will supply the funds to make the organization grow," Mr. Schwartz says.

All in all, what's happening is quite a feather in his cap. —SETH KANTOR

*Photos ret'd 2/4/72*  
Ex-retailer Irving Schwartz examines Indians' musk ox wool from Alaska.





# The Kremlin Joins the Corporate World

One five-year plan after another has gone away, but still the Soviets boast that they're going to catch up to us economically; now they're emphasizing use of new techniques

Leaders of the Soviet Union have for more than half a century talked of overtaking and surpassing the West in industry and commerce.

Nikita Khrushchev, over a decade ago, went so far as to promise to "bury" the U. S. economically.

Recently, Premier Aleksei Kosygin updated—or rephrased—that threat. Outlining his government's ninth five-year plan before a Moscow audience which included U. S. Secretary of Commerce Maurice Stans, visiting Russia on a trade mission, he said:

"By 1975, total industrial and agricultural output of the U. S. S. R. will exceed the present production level of the United States."

The ninth five-year plan, adopted at the 24th Party Congress last spring, is now the official standard for evaluating Soviet economic progress, and reports so far have given a cautiously optimistic picture of gains under the plan in 1971.

DR. JOSEPH S. BERLINER, author of this article, is a professor of economics at Brandeis University and an associate of Harvard's Russian Research Center. He has been working for several years on a study of technological innovation in Soviet industry.

But what does Premier Kosygin's statement really mean?

He was careful to refer to total rather than per capita output. And U. S. demand has increasingly shifted from agricultural and industrial products to trade and services. This country's problem in agriculture, in fact, is to hold down increases in output, while the Soviets are still striving to expand agriculture to meet consumer demands.

So the Kosygin prediction may not be very wide of the mark. It amounts to saying that the Soviets will achieve by 1975 a pattern of production that the U. S. and other wealthier countries attained many years earlier.

No matter what happens in the future to the Soviets' hopes for meeting their economic growth objectives, those hopes have had a bad time of it in the past.

A decline in the growth rate that began in the late Fifties was a major setback. The decline has been the main factor underlying the Kremlin's economic policy in the last decade.

It was chiefly responsible for the 1965 economic reform that sought to improve industrial efficiency by such devices as linking incentives to profits, as Prof. Yevsei Liberman and others had long advocated. Had the

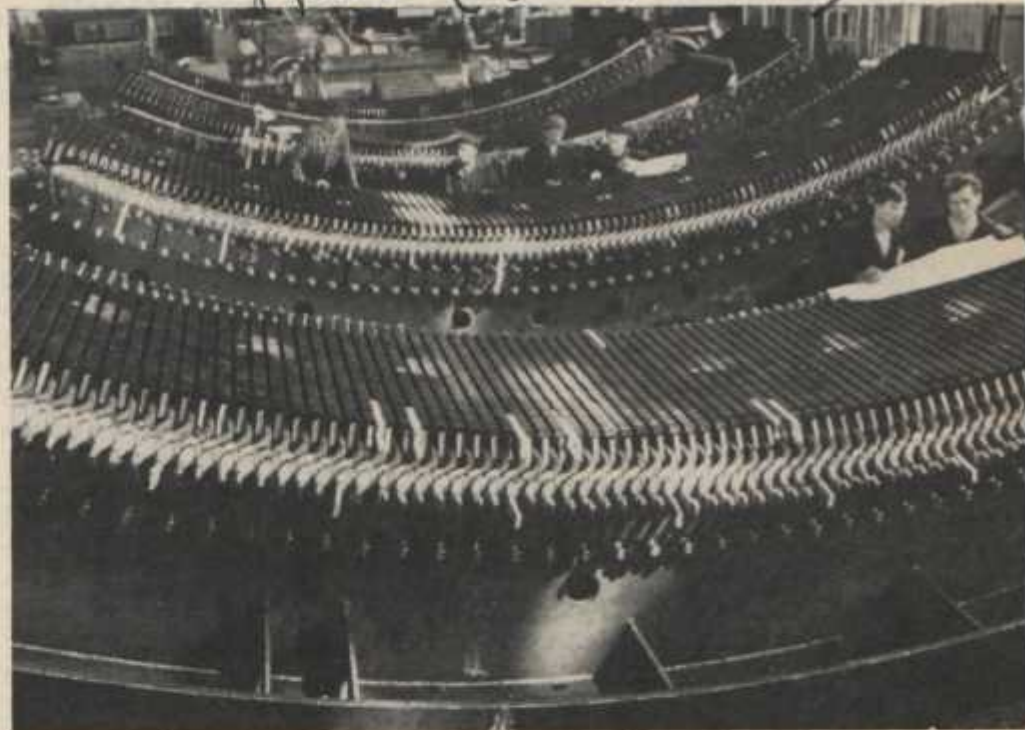
reform succeeded in boosting the growth rate substantially, the pressure for increased investment would have been reduced. In fact, no dramatic improvements have occurred, and the reform got so little attention at the 24th Party Congress that many observers now regard it as dead.

Almost all industry now operates under the new rules introduced by the reform, but the focus of attention has shifted from industrial efficiency in general to the more specific area of technological innovation.

It is technological progress that the ninth plan's authors are now counting on to offset the cutback in capital goods production. Of the total planned increase in national income, 80-85 per cent is to come from the growth of labor productivity, and the rest from new capital goods and new labor.

It's an ambitious target, but if it is not attained the pressure for more capital goods will be irresistible and the splendid promises of more consumer goods made at the Party Congress will not be redeemed.

Party Secretary Leonid Brezhnev stated this objective at the Congress: "We must create conditions that will compel enterprises to produce the latest types of output, literally to chase after scientific and technical



Part of Soviet economic growth: an electric generator being built in Siberia.



## The Kremlin Joins the Corporate World *continued*

innovations and not to shy away from them, figuratively speaking, as the devil shies away from incense."

So a new price-fixing procedure is designed to make new products more profitable than in the past. Research and development activity is being increasingly shifted to a contract basis instead of being state-supported, and new incentive programs have been introduced.

### Enter the merger

The most interesting development, however, is the popularity of a new type of industrial organization called an "association."

This is a response to a long-standing obstacle to innovation—the separation of R and D from production.

Applied R and D is typically carried out in specialized institutes that are responsible to government ministries. The ministry's technical council monitors the institute's work, and advises the ministry when a new product or process is ready for production. The ministry then assigns the production task to one of its enterprises.

The institutes regard their job as done when they have satisfied the ministry officials on the quality of their work.

And the enterprises, burdened with their current production assignments, resist the risky business of taking on new products or introducing major changes in technological processes. They get little help from the institutes, which lose interest in a project once they have completed it.

For some time, the Soviets have been searching for an organizational device that would provide a closer link between R and D and production. One approach is the establishment of in-house R and D divisions, but this method can be applied only to giant enterprises like the great Urals machinery plant, which contains a full-blown R and D institute.

Most enterprises, however, are not large enough to sustain a major R and D facility. In these cases, the practice has been introduced of merging a number of enterprises in a common line of production into an "association." (Perhaps the best English equivalent is the term "corporation," for one of the models is indeed the

modern, capitalist research-based corporation in high-technology industries.)

Typical is the Sigma organization, established in Lithuania in 1965. It contains seven manufacturing enterprises producing electronic computers, calculators, control instruments and automation equipment. It also contains a large R and D division, and two specialized design bureaus.

The corporation is run by a general manager who meets regularly with a council of directors consisting primarily of the directors of the member enterprises. The enterprises retain their status as legal persons; they maintain their own bank accounts and are fully responsible for their own production operations. But a number of their former functions are now centralized in the corporate offices: purchasing, marketing, labor relations, product development, etc.

The chief advantage is supervision of R and D by the same men responsible for production and marketing the new products.

However, not all such corporations are research-based; the corporate form is increasingly employed for merging enterprises into larger units for organizational advantages.

### Why rock the boat?

Hundreds of "associations" are now in existence, and more are planned. But while the corporation enjoys a greater span of control within its organization, in its outside transactions it must still operate in a centrally planned economy. And Soviet central planning tends to create a strong motivation for management to avoid "rocking the boat."

A management that runs a tight production operation earns very substantial bonuses even without innovating. Additional rewards for successful innovation are not very large and the risks of loss are great. Nor does the system provide serious penalties for non-innovating. There is no fear of losing one's "share of the market" to more innovative enterprises, for central planning provides virtually a protected market for most producers.

Hence, while the Soviets can count on a continuation of technological progress on the basis of "innovation

from above," which has produced the great successes in space and military technology, it is not clear that they have yet found the way to launch a wave of "innovation from below."

International commerce has been a major factor in promoting technological progress among the developed nations.

Soviet technology, however, suffered from the fact that for long periods it developed in semi-isolation from the international flow of products, people and ideas. The reasons are many, but in the postwar period a major one was the U. S.-led Western embargo on strategic exports to the U. S. S. R.

The embargo has come under mounting criticism from business, academic and some government circles, and its scope is being whittled down. As the restrictions diminish, new trading opportunities are opening up for the U. S. S. R.

Recent trade policy provides some hints about future Soviet imports.

Machinery and other equipment account for 42 per cent of Soviet imports from the Organization for Economic Cooperation and Development countries (principally, Western Europe, the U. S., Canada and Japan); and a third of it consists of whole plants like the Fiat auto plant. Growth of these imports has been steady for a decade at about 9 per cent a year.

The second category is consumer goods, both agricultural and industrial, which account for another 20 per cent of imports from OECD countries. The consumer orientation of the ninth five-year plan suggests that this category may grow somewhat faster, and that consumer goods (including synthetic fibers) plants will grow as a proportion of plant and equipment imports.

As for the high-technology industries, the Soviets are aware that to import plant and equipment is to "import obsolescence." Computers and electronic products are areas in which their own R and D resources are concentrated and which they would prefer to develop eventually as export products. Imports are likely to be highly selective.

The Soviets have sought to buy a few of the largest computers that are still on the embargo list, but have



shown little interest in the general run of computers they could get.

A continued expansion of imports along these lines means substantial orders for some firms in some industries in some countries. But Soviet trade is still so small a part of the noncommunist world's trade that its impact is not likely to be large.

After a decade of rapid expansion, Soviet imports accounted in 1969 for barely more than 1 per cent of the total exports of OECD countries—about the same as Mexico. A substantial portion of that expansion was financed by drawing down gold reserves, and the Soviets continue to

encounter problems in increasing foreign exchange earnings.

Their agricultural and mineral resources do not promise large surpluses for export.

As for manufacturing, in several lines they have proven highly competitive with Western and Japanese exporters: iron and steel equipment and some electrical machinery, for example. But the general quality of Soviet manufactures is such that they are not competitive.

It is for this reason that the volume of Soviet trade with Western Europe often falls short of that provided for in trade agreements. Lack

of direct access to Soviet enterprises by foreigners and the nonconvertibility of the ruble are further obstacles.

The Soviet bloc program adopted last August in Bucharest reflected the growing recognition by the U. S. S. R. and her allies of the close relationship between technological progress and trade. The program stressed the need for joint projects in R and D, in product standardization and in coordinated pricing policies. It also looked forward to the eventual convertibility of currencies within the Eastern bloc.

If the program does succeed in upgrading the quality of bloc exports, it may well increase the potential of trade with the West and Japan. But since its main thrust is expansion of intra-bloc trade, it is equally likely to lead to diversion of trade away from the rest of the world.

Hence, the further dropping of restrictions on trade with the U. S. S. R. is not likely to herald a dramatic expansion of commerce between Moscow and the West. The more probable result is a somewhat reduced but steady growth of Soviet imports.

U. S. businesses are likely to benefit more than their West European and Japanese competitors, however, since U. S. restrictions on American exports to the U. S. S. R. have been more severe than those imposed by other countries on their nationals.

Large percentage increases are likely to be registered in U. S.-Soviet trade in the next few years, but this is because present levels of trade between the two nations are so low. The visit of 100 American businessmen to the U. S. S. R. last November, for example, yielded a trade package of \$125 million. This amounted to about two thirds of the total U. S.-U. S. S. R. trade volume in 1970.

Resistance to elimination of the embargo is based in part on fear that it would lead to a quantum jump in the level of Soviet technology, with corresponding military and political gains. But unless trade rises much more than seems likely, potential Soviet gains will be marginal.

The future of technological progress in the U. S. S. R. will really depend on the success of the economic reforms in creating the "conditions" that Secretary Brezhnev hopes will launch a wave of innovation. **END**

## What Young Ivan Wants to Be

Ever stop to wonder about the status of different jobs in the Soviet Union?

Experts planning ways of meeting future manpower needs in the U. S. S. R. have surveyed young people on the kinds of jobs they would like to have. The results may surprise you.

The status of an accountant isn't very high, apparently, as far as Soviet youth is concerned. It's considerably below that of a midwife or a truck driver. On the other hand, the status of a physicist or mathematician is very high indeed.

Work in the factory, once supposedly the goal of the dedicated comrade, is not necessarily the cup of tea the young Soviet citizen wants from his samovar.

Changes in the attitudes of youth are blamed on the effect of schooling and the communications explosion, particularly television.

A 1963 survey in Siberia, for example, showed rural youths tended to favor the manual trades and urban youths tended to prefer mental work. A more recent survey revealed that rural youths now have the same job preferences that their urban counterparts do.

In an article in *Soviet Life*, "The Occupational Pyramid—Low and High Status Jobs," Dr. Vladimir Shubkin reports researchers concluded that a "considerable portion of the country's youth considers creativity as the basis for the status scale."

As Russian youths see it, here is the job pecking order in part:

Physicists	Nurses, doctors' assistants,
Pilots	midwives
Electrical engineers, television	Lathe operators
broadcasters and electronic	Electricians
technicians	Postal workers, telephone and
Mathematicians	telegraph operators
Geologists	Tailors and dressmakers
Doctors	Tractor and combine harvester
Writers and artists	operators
University instructors	Public catering workers
Civil engineers	Carpenters
High school teachers	Salespeople
Miners	Accountants
Steelworkers	Public service workers
Chauffeurs, truck drivers	Clerks





*Have  
(see print file)*

## **DYNAMIC GROWTH COMPANIES**

# **Skyline Corp.**

**"If you make it good,  
now make it better"**

A lovely river meandering through Elkhart, Ind., seems to set the pace for that small city.

People say hello to strangers, there are plenty of parking spaces, and churches and service clubs are heavily attended. There's little violent crime or racial trouble.

Elkhart is overshadowed to the west by a giant, Chicago, and it's there that you would expect to find a company like Skyline Corp.

But Skyline's headquarters, its research and development operation, several of its 39 manufacturing and assembly plants and many of its suppliers are in little Elkhart, and happy to be there.

Don't let Elkhart's easy pace fool you into thinking Skyline is lackadaisical. It is enormously vital—and successful.

Skyline's principal business is manufacturing compact, inexpensive houses that are ready to use. Not only is there furniture in every room,

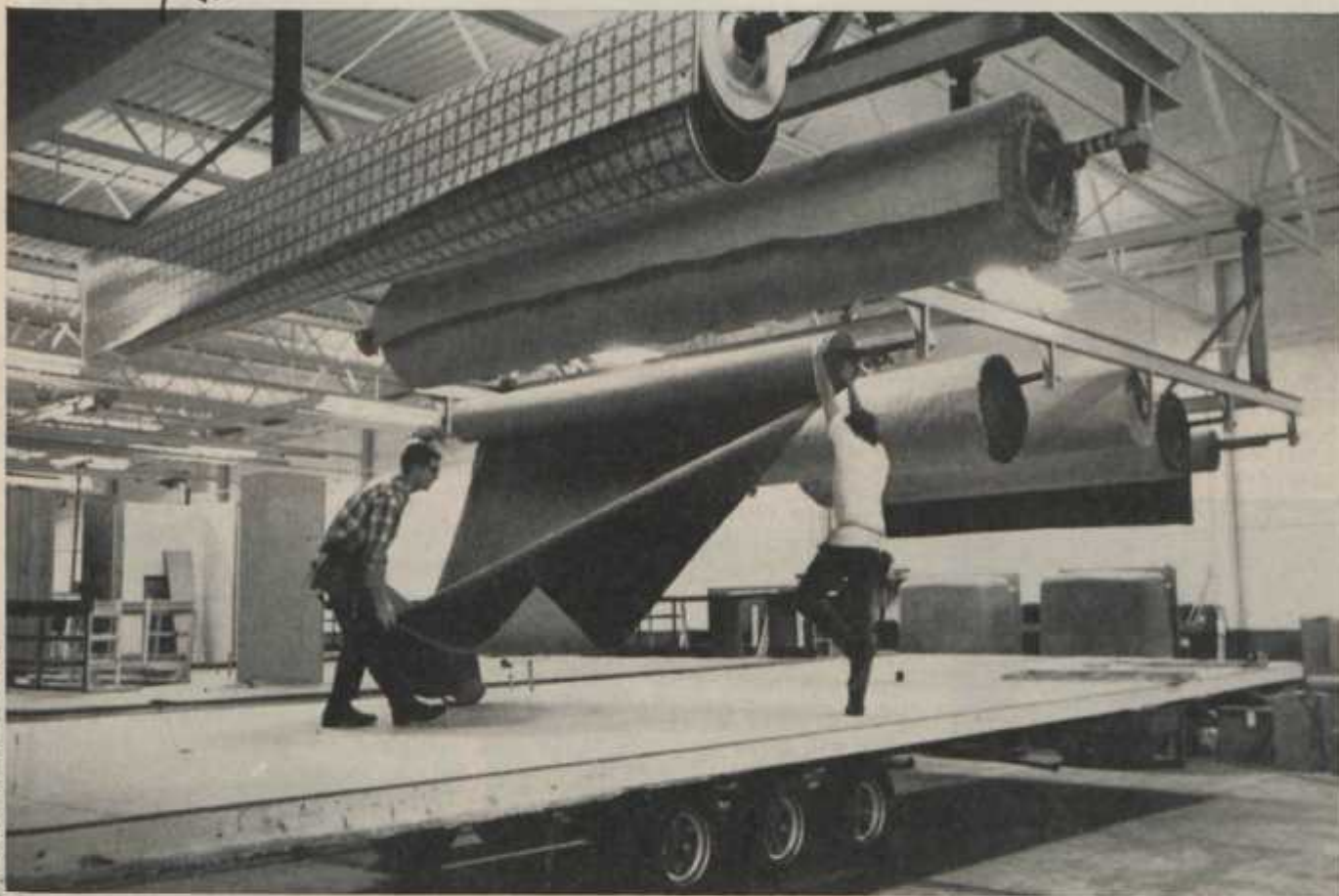
*Art Decio's company owns no cars or company planes. Executives fly tourist class and work on Saturdays. But Mr. Decio's antique-filled office is spectacular.*



See folder  
"mobile homes"  
Harr

all extra photos sent to "Skyline Corp"  
2/8/72

Rugs are laid in Skyline houses before they are built. Employees work until the day's quota—usually 17 or 18 mobile homes for each of the assembly plants across the country—is filled. Only then do they knock off. This doesn't necessarily mean a long day—if they're fast, they may leave early. Pay, based partly on production, is good. So is morale.



Skyline builds its homes only to order. Customers choose the kind and color of furniture and interior they want. Fancy three-bedroomers (\$6,500) and Spartan numbers (\$5,000) cost no more in 1967.

Many subcontractors and suppliers deliver assembled parts and sections for Skyline workers to fasten together. Assembly-line methods are used, with finished mobile homes emerging at the end of the line.



*Have (mobile homes)*



With 39 plants spread across the country—10 have been opened in the past year—no Skyline home has to be trucked far for delivery to a customer or dealer. Usually, plants are located in such small towns as Kinderhook, N. Y., McMinnville, Ore., Mocksville, N. C., Brighton, Colo., and Goshen, Ind.



*Skyline homes are delivered with practically everything—including curtains—already installed. The company is non-union and keeps a waiting list of men and women who want to work there. Employees police their own ranks for those who don't produce as they should.*

there are coat hangers in closets, curtains screening showers, artificial flowers in vases, pictures on walls, rugs on floors.

The houses are set on wheels and called "mobile homes," but usually they will move only once—from a Skyline plant to small plots where they will serve for years as low-cost housing.

They will fill the needs of workers and their families, of retirees, of weekenders and vacationers.

Five million Americans live in houses produced by the approximately 400 builders of mobile homes. Skyline is No. 1 in dollar sales among the 400, some of which are little more than backyard operations. Last year, its assembly lines turned out some 48,000 mobile homes plus 15,000 travel trailers and truck campers.

Skyline also is No. 1 in the entire housing industry for units produced and No. 1 among the nation's 500 largest corporations for return on shareholders' equity.

President Arthur J. Decio, 41, has led the company since he was 27. Annual sales were \$9.5 million when he began running Skyline. Last fiscal year they were \$252 million.

"A growing number of Americans are no longer satisfied with traditional patterns of housing," Mr. Decio says. "They hate the idea of being handcuffed to a conventional home with its 30-year mortgage, its constant need for maintenance and its inescapable identification with social status."

Mr. Decio wasn't born on the side of the tracks in Elkhart where the money and social status were. But he's over there now.

His own home—not compact, not inexpensive, not mobile, not assembly-line built—is a local show-place. He and his wife and their five children are Elkhart socialites these days.

Mr. Decio, who went to DePaul University in Chicago and is now a trustee of Notre Dame and on the Board of Regents of Portland University in Oregon, is a mover and shaker.

He insists on, and gets, fast production from his well-paid workers, who are non-union—and much of whose pay depends on how much they turn out. He also insists on excellent delivery service from his suppliers, whose production is vital to Skyline because the company does far more assembling than manufacturing.

A man who believes in cutting through the fat of a problem to reach its heart, Mr. Decio prefers not to make changes in the procedures and tight discipline which have kept his company, of which he owns about 20 per cent, absolutely free of debt as it has expanded. (Skyline is one of only a dozen or so such large companies which owe no one.)

But that is not to say he is against any changes.

His favorite saying is: "If you make it good, now make it better."

END





# Ranco Industrial is now

## RANDUSTRIAL

We have shortened our company name from Ranco Industrial Products Corporation to **RANDUSTRIAL CORPORATION**. This change is in keeping with the modern up-to-date image created by our products. You will soon be seeing it on our literature, letterheads, invoices and the like. Our name has been condensed, but our service and product lines have been expanded. Request your **FREE COPY** of our new 1972 48-page Maintenance Product Catalog, just off the press, "RANDUSTRIAL"—a modern name for a progressive company.



### PATCH ROOFS WHETHER WET OR DRY.

Wet Surface roof repair materials will patch roofs in any weather, at any temperature, even during rain and snow. New **Thyex** additive insures permanent adhesion. Any plant laborer can make an expert patch when it is needed most—while the roof is leaking. When a roof leak developed, it used to be that "nothing can be done now," and water damage to stock and equipment was the result. **WET SURFACE ROOF REPAIR KITS** change all that and save you money. Let us prove it to you before you buy. Check coupon for your **FREE 2-Gallon Sample**, freight prepaid.\*



### INSTANT CHUCKHOLE PATCH.

**FRIGID PATCH** comes ready-to-use for patching wet or dry, broken concrete or blacktop in winter or summer. No troweling or drying time is needed as the material hardens by compression from traffic. It contains a unique shatterproof aggregate and new plastic base to provide durability and holding power to a featheredge without crumbling. **FRIGID PATCH** remains smooth and pliable under the heaviest loads in all extremes of temperatures. **FREE 2-Gallon Sample.\***



### CRACK AND JOINT SEALER.

**FLO-JOINT** is a cold-applied, rubberized crack filler which sets tack-free in one hour. It will not pick up on truck wheels or shoes—even in hottest weather. **FLO-JOINT** maintains its resiliency indefinitely to absorb expansion and contraction and will not crack under extreme changes in temperature. Protects pavement by preventing water infiltration which results in further cracking and breaking of the pavement. Use special applicator or an ordinary can to apply. **FREE 2-Gallon Sample.\***



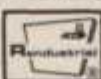
### INSTANT FLOOR PATCH.

New heavy duty industrial floor patch needs no drying time—just apply and use. **MAGIC FLOOR** is completely mixed and ready to use when received. Fill hole, compress with any power truck and open to normal traffic. It's that easy! **MAGIC FLOOR** stands up to the heaviest industrial traffic, actually outwearing the surrounding concrete. Its simple application eliminates overtime labor. Floors can be patched when the need arises, rather than being "scheduled for next weekend." **FREE 2-Gallon Sample**, freight prepaid.\*



### INSTANT, NON-SKID ICE MELTER.

**P-247 FLASH DEICER**: 400-lb. Drum at 16¢/lb.; 100-lb. Drum at 17¢/lb.



## Randustrial Corporation

formerly Ranco Industrial Products Corporation  
13251 UNION AVENUE/CLEVELAND, OHIO 44120  
(216) 283-0300

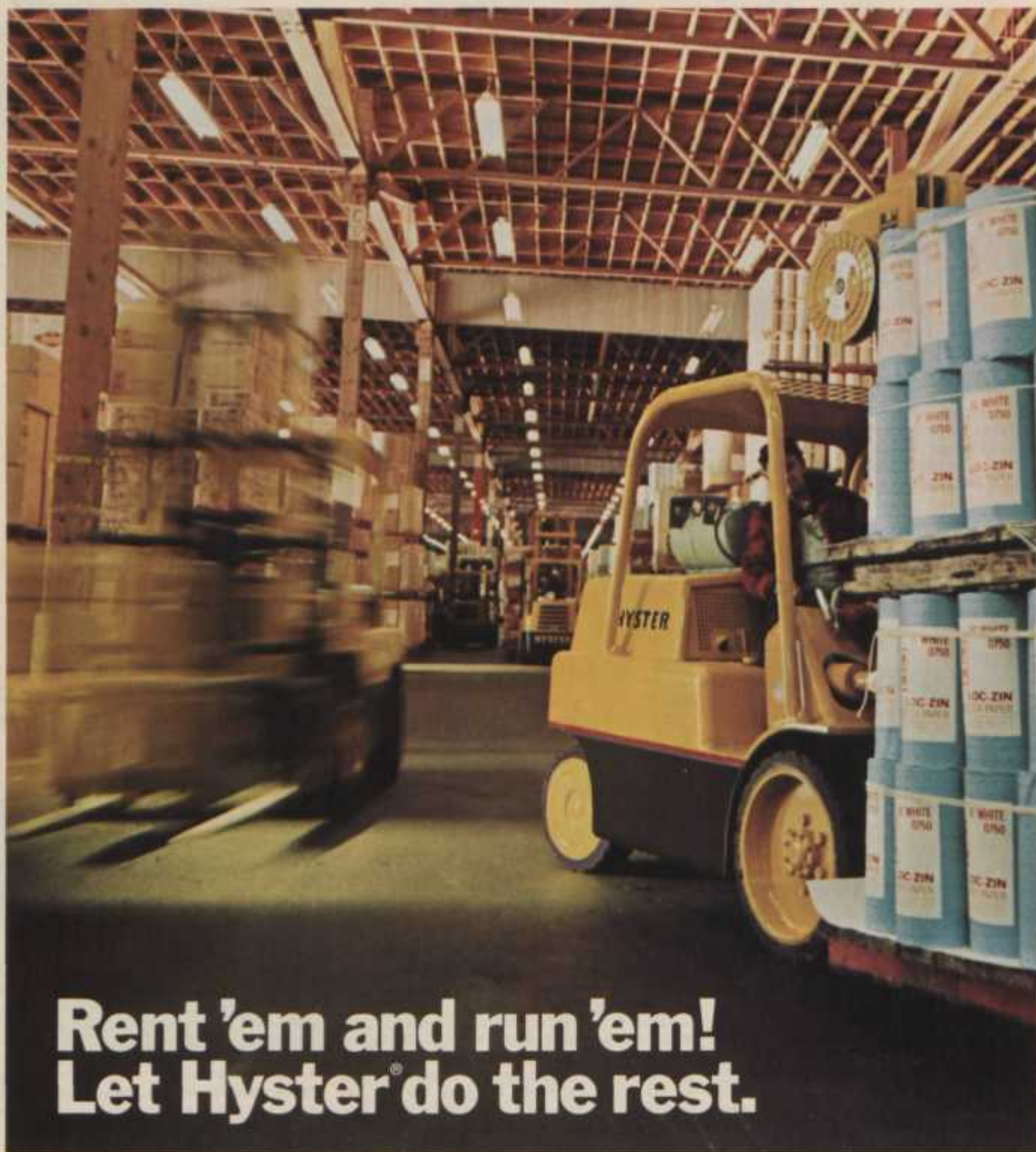
Send the following **FREE 2-Gallon Samples** for use in our plant:

- ☐ Frigid Patch ☐ Flo-joint ☐ Magic Floor ☐ Wet-Surface Sealant  
☐ Please send me the **FREE 48-page Maintenance Catalog**.

NAME \_\_\_\_\_  
TITLE \_\_\_\_\_  
COMPANY \_\_\_\_\_  
ADDRESS \_\_\_\_\_  
CITY \_\_\_\_\_  
STATE \_\_\_\_\_ ZIP \_\_\_\_\_  
TEL. NO.: (area code) \_\_\_\_\_ (number) \_\_\_\_\_

\* Offer not applicable for home use.





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## "Give a Hoot! Don't Pollute"



*returned to  
Mr. Hermann  
for his  
disposal  
M.S.  
2/8/72*

It was a tight race, but the owl beat out the raccoon for the leading part because, the producer says, he's a better actor.

Raccoon fans don't like the decision, and say that there's more to it. But owl lovers applaud the wisdom of the U.S. Forest Service for its newest show biz creation—Woody Owl.

Running mate to Smokey Bear, a hit on the screen and a champion of forest fire prevention, Woody Owl is being groomed to star in campaigns against pollution.

Premiered in mid-September, he's a symbol for clean air and water, and peace and quiet. He's four-square for improving the environment of the nation's woodlands and wide open spaces.

Last month the public was exposed to the first phase of a public relations buildup. Posters of the new personality revealed a cross between a great horned owl and a barred owl. Modishly attired in green pants and a Robin Hood style hat, complete with feather, Woody shows his musical inclination by carrying a whistle-like instrument the Forest Service identifies as a "hooter."

He'll have as a slogan, "Give a Hoot! Don't Pollute."

For a year, the Forest Service worked with Carson-Roberts, a Los Angeles advertising agency that volunteered its efforts, to select a symbol. Also in the running were man, who quickly lost, and the trout, wolf, elk and raccoon.

Choosing the owl because it appeared best suited for TV animation, three examples were prepared and tested on children and youths in Southern California. By two-to-one they preferred the caricature of the great horned owl with the large liquid brown eyes of the barred owl.

All owls are not hooters—some screech and some scream. But the great horned owl has a five-hoot call, while the barred owl belts out a solid eight hoots, which makes it the hoot-iest hooter in the owl family.

Forest Service officials say that Woody will be not only an effective fighter against pollution, but also will be good for business—there is already "great merchandising interest" in him. They forecast that a wide variety of Woody Owl items will soon appear on retailers' shelves. END

## Executive Confidential Loans

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Mr. T. K. Lindblad  
Executive Loan Director



**Industrial Credit Plan, Inc.**

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PROGRAM TIMERS  
TIME STAMPS  
WATCHMAN CLOCKS



# The States Become Experts on Exports

nate local efforts with those of the federal government, making it possible for a businessman to enter—or expand in—the international market with a maximum of assistance and a minimum of bureaucratic red tape.

In December, 1970, Commerce Secretary Maurice H. Stans held a National Commerce Forum with the economic development directors of the 50 states, Puerto Rico and the Virgin Islands. Among the gathering's purposes: To explore ways in which the federal government could work with the state governments to make federal trade programs more effective; and to encourage more businesses to go into exporting or to expand their export activities.

State government efforts in the international trade field have grown in recent years, both in the number of states involved and the services provided to business. The first state program started more than 20 years ago, but only during the last six years have most states geared up to offer significant trade services.

At present, 47 states offer export market assistance. Latest to join this list are Arkansas and Louisiana, which formally organized international departments in 1970.

Individual state agencies offer a wide variety of services, ranging from information collection and dissemination to almost direct involvement in individual business transactions.

## Doors open

Says a Lansing, Ill., executive:

"State government's role and interest in helping businessmen, particularly the heads of small- and medium-sized firms, to realize more business and profits abroad cannot be underestimated. Much of our success in foreign trade is due to the fact that state government has [helped] . . . open doors that previously may have been closed to us."

Studies indicate the basic reason states have found it beneficial to promote international business is precisely the same reason underlying federal government promotion—officials want companies within their political jurisdictions to increase the volume of their business, thus generating new jobs and income. The U. S. Export-Import Bank estimates that

\$1 billion in exports creates about 84,000 jobs.

The states also are helping the federal government to strengthen the nation in its balance of payments situation, by encouraging more medium and small businesses to look overseas for new market outlets.

Increased activities of state agencies in the international trade area should be particularly desirable where special facilities are developed to serve local industry.

For example, Oklahoma, traditionally a landlocked state, now has direct access to foreign markets through the recently inaugurated Arkansas-Verdigris navigation project. Barge transportation has substantially decreased freight costs and made a variety of products economically suitable for export.

So-called grass roots contacts are becoming increasingly important in international trade, and states can help here by:

1. Providing person-to-person service that local businessmen need in order to reach foreign buyers and foreign government agencies, either directly or in cooperation with our federal government.
2. Lending support in any activity which the potential seller may need to establish himself in the growing markets abroad (such as trade fairs, trade missions and publication of export-import directories).
3. Filling the information gap between local businesses and national research and advisory facilities of the Commerce Department, Export-Import Bank, Agriculture Department and other federal agencies.

## Figures tell the story

One example of how a state can use an international program to alleviate an economic problem is offered by the State of Washington.

After its unemployment rate rose as a result of cutbacks in the aircraft industry, the State Trade Promotion Division reported: "Our staff is stepping up its calls on potential exporters to personally lead them down the path to foreign markets. A full-time staff member is following up trade leads and initiating new trade contacts on behalf of our many state industries."

American businesses looking for export market opportunities have a new ally at their state capitals—the state economic development agencies.

No longer solely concerned with new plant locations, these agencies have expanded their activities into other areas—particularly international trade.

With only about one out of 25 manufacturing concerns in the U. S. involved in exporting, the need for state assistance in this area is evident.

Until recently, however, government action in the international business arena was almost exclusively the domain of the federal government. The delicate nature of contact between American business and foreign nationals made it appear necessary to have foreign trade matters funneled through the Commerce Department in Washington.

Does the change mean mini-Commerce Departments in the state capitals? No, say the state agencies.

They're not bypassing federal programs or usurping federal functions. Rather they supplement and coordi-



Washington State's efforts to expand foreign commerce through customs districts generated a surplus of \$637 million in 1970.

Virginia also has found it good business to assist its manufacturing firms. Exports of manufactured goods increased from \$489.9 million in 1966 to \$581.2 million in 1969, an 18.6 per cent increase for the three years.

In Illinois, Culligan, Inc., like many U. S. firms, had received foreign inquiries about its products but had no strong follow-up program. After recognizing the potential of the foreign market and getting involved, the Illinois firm increased its sales volume from \$7.7 million in 1957 to \$45 million 12 years later.

Donald L. Porth, executive vice president of Culligan, says: "We have had a most rewarding and successful experience in the international field. Although rapidly expanding, we have never failed to make a fine profit overseas."

Phil Turner, president of Chicken Galore, in Mississippi, offers this evaluation of that state's Marketing Council:

"I had never engaged in exporting and knew nothing about international marketing procedures. All I had was an idea. After contacting the Council, I realized I had found the source needed for guidance.

"The Council aided me in locating customers abroad, advised me regarding shipping regulations, and even located sources for financing and insuring my export sales. To date, I have exported in excess of \$600,000 and have orders pending."

Companies of all sizes should be on the lookout to sell their goods abroad, says Mrs. Helen McMullen, president of Pressure Blast Manufacturing Co., a small (30 employees) Manchester, Conn., firm that exports 5 per cent of its output and is energetically seeking an increase.

"When it comes to exporting," says this successful businesswoman, "the American businessman is a little too lazy."

She would agree that the international markets are there, and that a business executive who wants to know what's in them for him can find the answer, perhaps at his own state capital.

END

1972

## Association National Affairs Conference

**SPONSOR:** Chamber of Commerce  
of the United States

**PLACE:** Washington Hilton Hotel,  
Washington, D.C.

**DATE:** All day Thursday, Jan. 20, 1972  
(Conference reception Wednesday  
evening, Jan. 19.)

**THEME:** "Forces on the Economy."

**PURPOSE:** To keep trade and professional  
association leaders abreast of  
economic trends and how they will  
affect the political, legislative and  
international climate in a crucial  
election year.

**SPEAKERS:** Leading experts from the  
Administration, Congress, business,  
and the news media.

**REGISTRATION FEE:** \$40 for entire conference (Event tickets  
may be purchased separately.)

**ADDED BONUS:** Two separate, but related, National  
Chamber forums—a Lobbying Clinic  
for association staff personnel to  
explore the mechanics and techniques  
of state and federal legislative liaison;  
and a Tax Seminar to explain  
provisions of the new federal tax bill—  
both scheduled all day Wednesday,  
Jan. 19 (Registration not included in  
Conference fee.)

**INFORMATION:** Association Department, Chamber  
of Commerce of the U.S., 1615 H St.,  
N.W., Washington, D.C. 20006



## IMPACT

More than 5,000,000 of America's community leaders—men and women engaged in business, commerce and the professions—make up the solidly based underlying membership of the Chamber of Commerce of the United States.

Every spring, a great many of them come to Washington, D.C., to obtain, and absorb,

firsthand knowledge about major issues from national figures in business and government. In 1971, the thousands of men and women making the pilgrimage to the Nation's Capital represented all of the 50 states, U.S. territories, and 31 foreign countries.

April 30, 1972, is the date for the opening of the 60th Annual Meeting of the Chamber





of Commerce of the United States.  
Once again it will be a time for the coming  
together of business and professional men  
and women to listen, discuss, meet with  
Congressional leaders and get a full  
understanding of the major problems they  
will face in the year ahead.

If you are a decisionmaker . . . if you

need to be on top of the issues . . . plan  
now to attend this important event.

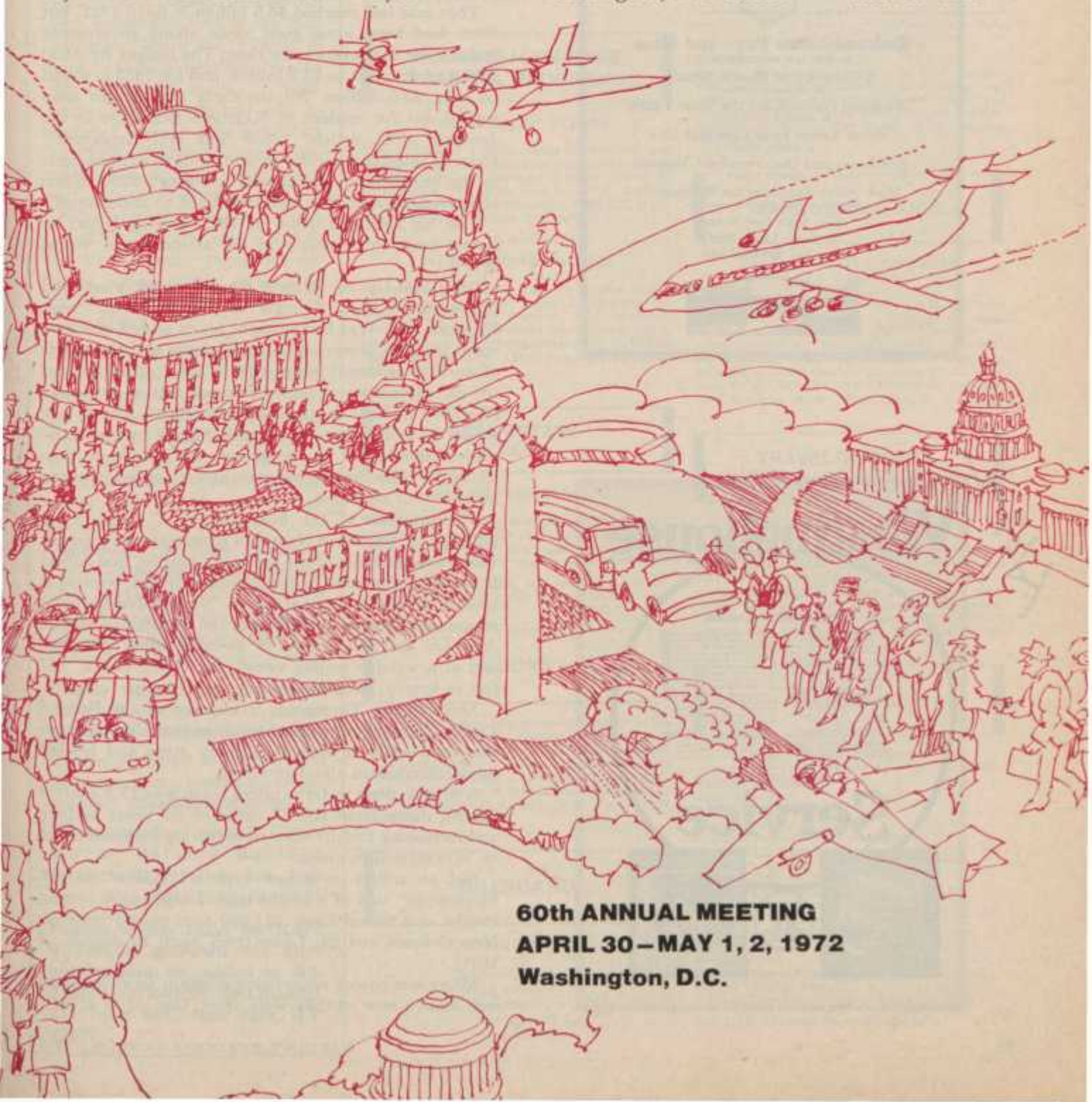
For additional information, write:

Director of Promotion

*Chamber of Commerce of the United States*

Washington, D.C. 20006

202/659-6185



**60th ANNUAL MEETING  
APRIL 30 – MAY 1, 2, 1972  
Washington, D.C.**



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# The Past Is Prologue

Fifty years ago in Nation's Business  
(established 1912)

January 1922

## THE NATION'S BUSINESS

**Railroad Labor Pay—and Mine**  
By WILLIAM BUTTERWORTH

**A Close-Up of Muscle Shoals**  
By FREDERICK SIMPCH


**Business Outlook for the New Year**  
By ARTHUR WALL DOUGLAS

**What Keeps Your Coal Bill Up**  
By WARREN BISHOP

**Bill Jones and Our Merchant Marine**  
By ALBERT D. LASKER

**How Much Freedom for Business?**  
By a Member of the Federal Trade Commission

Uncle Sam's First Budget  
Revise the Tariff—How?  
New Tax Bill Explained



25 Cents

*Have*

## Westinghouse

STARTING, LIGHTING & IGNITION EQUIPMENT

### What Every Car Builder Knows

One of the best reasons why the Westinghouse name is so prominent in the minds of car builders is that the company's products are so reliable, and that they are so easy to install and maintain. The Westinghouse name is a guarantee of quality and service.

Westinghouse has built up an excellent reputation for its products, which are known for their reliability and service. The company's products are used in a wide variety of applications, from automotive to industrial.

## Service





You could say, "Gee, times really haven't changed." And, to a degree, you'd be right.

A half-century ago, the nation was worrying about depressed business conditions, particularly for farmers; increasing labor costs; consumerism; and government expenditures, about which the then Secretary of Treasury said, "The nation cannot continue to spend at this shocking rate."

That rate had reached \$5.5 billion in fiscal 1921, but there had been some good news about government budgets for taxpayers since then: The budget for fiscal 1922 had dropped to \$3.9 billion, and for 1923 it would be only \$3.5 billion. All the facts and figures were spelled out for readers of NATION'S BUSINESS in the January, 1922, article, "New Tax Bill Explained." Even in those comparatively simple days with budgets in the mini-billions (compared to today's \$200 billion plus), federal spending was a bit hard to understand.

The big economic issue of 1922 was the effort to spring back to normalcy in the aftermath of World War I.

"A Close-Up of Muscle Shoals" told what had happened to that "Dimple of the Universe," near Florence, Ala. War had brought boom as millions were spent to build power and nitrate plants and thousands of workers produced gunpowder. Then, "after the war, the ghostly silence of ruined Pompeii settled over rows of empty houses, theaters and churches." The article made the point that the Muscle Shoals hydroelectric project should not be abandoned, but should be continued for conservation purposes and to furnish power to an area that needed it.

The interests of the businessman of that era, as reflected by articles in NATION'S BUSINESS, were varied. There was the state of the merchant marine, and Albert D. Lasker, chairman of the Shipping Board, warned it needed vitalizing (meantime, a Navy advertisement announced the sale as salvage of the battleships *Maine*, *Missouri* and *Wisconsin*, of assorted other warships and of a wooden sailing vessel, the U.S.S. *Oriole*, 117 feet in length, 34 feet in beam).

And Huston Thompson, a member of the Federal Trade Commission, warned business that the consumer was thoroughly mystified in many areas and needed more information about products.

A drastic drop in farm prices (corn was 17.5 cents a bushel, down from the 77 cents of six years earlier) and increasing freight rates were having a dismal effect on agricultural business.

But an article on a new type of "Boatin' on the Mississippi" told of a bright spot: Barges were towing freight at a record level (211,500 tons moved between New Orleans and St. Louis from April to August of 1921).

Many companies advertising goods or services are as well-known now as they were then. One ad is at left.



865,000 management people read NATION'S BUSINESS thoroughly every month. Our readers are top management men who make buying decisions. They enjoy high discretionary incomes with proven interest in travel, leisure, real estate and investment. NATION'S BUSINESS BILLBOARD is a natural.

Placing your ad is easy. We will accept your listing in one-half inch increments with a one inch minimum. There are 8 lines of type (including headline) in one full inch which costs . . . \$200. Each additional one-half inch includes 5 lines of type and costs . . . \$100. Classified Display Advertising is accepted with a two inch minimum which costs . . . \$550. Each additional inch costs . . . \$275. The line rate is \$19.70 (up to 5 inches); thereafter national rates apply. 1/6 page \$1,355, 1/3 page \$2,655, 1/2 page \$3,975.

**Body copy:** 50 characters per line including advertiser's name, address, or box number. All copy set in Univers Medium type face. Bold face, capitals, italics, or underlining will not be used for copy emphasis. For paragraphing, count one (1) line space per paragraph.

**Headlines:** Two lines maximum. Centered on column in all caps and counted as one (1) line. Maximum characters per line—28 (letters, spaces and punctuation marks count as characters).

**Display Advertising:** Engravings accepted, or copy and layout set by publisher at cost. 2" minimum.

Orders accepted in writing with payment unless placed by an accredited advertising agency.

For information contact: Carole McPhee: NATION'S BUSINESS BILLBOARD, 711 Third Ave., New York, N.Y. 10017 (212) 697-5530.

**Replies to ads using NATION'S BUSINESS Billboard box numbers should be mailed to NATION'S BUSINESS BILLBOARD, 711 Third Ave., New York, N.Y. 10017.**

## BUSINESS OPPORTUNITIES

### HOME IMPORT BUSINESS

Big earnings in profitable hobby or retirement project. Deal direct with overseas suppliers. Tax free travel. Newest products at fraction U.S. cost. 200% or more profit. No product investment. Famous world traveler starts you. Free report "How to Import and Export". Write MELLINGER, Dept. F1791, Woodland Hills, Ca. 91364

You . . . have just realized you may never earn more than you are right now . . . what are you doing about it? Our franchisees make high profits with Instant Printing. No experience necessary. Push-button equipment. We provide choice location, continuous training, advertising support. Write for all the money-making facts. KOPY KAT, Dept. NB2, Fort Washington, Penna. 19034.

## COURSES/SEMINARS TRAINING PROGRAMS

### COLLEGE CREDIT STUDIES

Long established (1927) college for ministers and religious leaders now offering correspondence courses in liberal arts and business. Degrees offered to doctoral level. Full details from Dr. W. A. McGuire, Dean, COLORADO EVANGELICAL COLLEGE, North Atlanta, Box 9927, Atlanta, Georgia 30319.

### SALES TRAINING COURSES

Top talent as Dr. Charles L. Lipp, Dr. Dupree Jordan, Dr. William L. Self, Dr. David J. Schwartz, Dr. Meek Douglas, Clint Brandon, Win. Pendleton, Don Stewart. Proven principles for success in selling and management. Get details, prices from: SUCCESS PUBLICATIONS, INC., Lenox Box 18611, Atlanta, Georgia 30326.

## REAL ESTATE ACREAGE

### FREE 256-PAGE CATALOG

New Spring 1972 issue describes over 2,300 farms, ranches, businesses, town and country homes in 33 states coast to coast! Over 3,500 photos! Please specify type property and location preferred.

UNITED FARM AGENCY, 612-NB West 47th St. Kansas City, Mo. 64112. Ph: (816) 753-4212.

## BOOKS

The Political Image Merchants—Strategies in the New Politics, edited by Hiebert Jones, Lorenz & Lotito with introductions by O'Brien, Dole & Morton. . . a practical guide to politics . . . especially running a campaign, promoting a candidate, raising money, sizing up reactions to an issue. Send \$7.95 with your order to ACROPOLIS BOOKS, 2400 17th St. NW, Washington, D.C. 20009.

## BILLBOARD

### CLOSING DATES

February-January 14  
March-February 11  
April-March 10  
May-April 12  
June-May 12

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## This Month's Guest Economist

Charles Moeller Jr.  
Vice President and Economist  
Metropolitan Life Insurance Co.

### Know Your Customer

Management's marketing plans and the nation's economic prospects are closely linked, and better planning can be done if some basic trends are spotlighted.

Two of the most significant factors shaping the future are the people (numbers and age brackets) who will buy the goods and services, and the incomes they will have—tempered by the degree of their willingness to buy.

While population trends alone don't make markets, it is nevertheless important to note that population growth following World War II saw annual gains of about 1.5 million jump to over 2.5 million in 1947. Gradually the increase climbed to three million a year in the mid-1950s through 1961. After that, year-to-year gains grew progressively smaller, amounting to just under two million in 1969.

These are not forecasts about how many Americans there will be in the years ahead. These prospective consumers are here—already on stream.

Although the implications of that initial population spurt in 1947 are obvious in terms of family formations, the precise timing of its full economic impact has never been easy to pinpoint. This is so especially in view of the need for young people to fulfill military requirements, and the growing desire for higher education—both of which tend to delay marriage.

What is certain is that this impact has already been felt to some extent, and that it will continue to be felt as a result of the large number of births that occurred after 1947 and through 1961.

It has often been noted that it will be the consumer who leads us out of recession. This he will do. And al-

though he has been there all along, in many instances he is just "coming of age."

Naturally, all the various age brackets are worth observing for market potential, but of special significance will be the substantial rise between 1970 and 1975 in the number of people aged 18 to 24, and the very large increase in those 25 to 34 years old. While a larger proportion of the younger persons than ever before will be in college, even more important is the fact that these two age groups include the bulk of those who will be forming new families.

Marriages have been increasing year by year since 1958. They will reach about 2.5 million in 1975. Thus, the impact of the increase in new and relatively young families in the consumer market for housing, furniture, appliances and a host of other goods and services will be very substantial when the large population gains in previous years crest through the young adult age brackets.

In 1970, consumers were not particularly prone to spend or add to their debt. Thus, as a result of growing volume of after-tax money income, coupled with reduction of debt through continued repayment and restricted borrowing, net saving averaged 7.9 per cent of disposable personal income, the highest rate in a quarter of a century.

In 1971, consumers spent about 8 per cent more than they did in 1970. Most important is that personal income after taxes rose 8 per cent, to supply the basic support for consumer spending. In addition, the high savings rate and repayment of debt in 1970 had put consumers in a better position to buy more freely as well as to

supplement their spending power by increased borrowing.

Total personal income in 1971 hit an all-time high of about \$860 billion in the U. S. and is expected to expand to perhaps \$1.15 trillion in four years. Rising personal income reflects, among other factors, a continuing shift of families to higher income brackets. Compared to just 10 years ago, the proportion of families with incomes of \$13,000 or more (1971 purchasing power) has increased from 18 to 35 per cent.

The total number of these high purchasing power families has increased far faster than all families combined, due to such factors as rising educational levels that fuel expansion of upper income families, and more professional and managerial income earners heading families. As a result, increased income should boost sales of soundly produced and marketed goods and services.

The family head is not only making more than ever before. Part of the gain in family income results from a higher percentage of women working than in past years. Half of these working wives account for one fourth or more of their families' purchasing power.

Finally, young families, who of necessity are spenders rather than savers in the over-all picture, are accounting for an increasing portion of the upper income brackets. Families in the \$10,000 to \$15,000 income bracket nearly trebled in number between 1960 and 1970 and the proportion of families in that bracket headed by persons aged 25 to 34 nearly doubled.

Buying power in the consumer pocketbook is enormous. The amount consumers choose to spend on goods and services represents over 60 per cent of gross national product, and is expected to total \$890 billion by 1975—a compound annual growth rate of 7.5 per cent.

Per capita outlays should expand from just over \$3,000 in 1970 to \$4,100 in 1975.

So, the market potential is vast. It behooves management to be aware of and stay on top of the population and income shifts and to be alert to the opportunities they present.



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# BUSINESS | A LOOK AHEAD

BY GROVER HEIMAN

Associate Editor

## AGRICULTURE

With per capita demand for meat in the Soviet Union predicted to rise 20 per cent by 1980, U. S. farmers have a potentially promising new customer.

Experts see an order for some \$135 million in feed grains placed by the Soviets with two U. S. firms last November as possibly just the start. This purchase represented a 15 per cent increase in U. S. feed grain exports for the year.

Agriculture Department officials report strong indications that the U. S. S. R. is planning to expand livestock production significantly, and predict that it will need substantial quantities of feed grains.

The United Nations' Food and Agricultural Organization estimates that annual per capita demand for meats, including poultry, in the U. S. S. R. will increase from the present 42.9 pounds to 52 pounds in the next decade.

Today the other communist bloc nations in Eastern Europe annually produce a surplus of 417,000 tons of meat, more than enough to take care of the shortage of 168,000 tons in the U. S. S. R. But by 1980 the anticipated Soviet deficit will be 858,000 tons, while the satellite nations' surplus production is expected only to climb to 445,000 tons.

## CONSTRUCTION

Some of the dice game atmosphere may be removed from the process of calculating construction costs, thanks to the computer and—of all things!—gambling theory.

That's the view of E. Alfred Picardi, a vice president of Perkins & Will Corp., an architectural and engineering firm which is using a computer program developed jointly with the Massachusetts Institute of Technology's Department of Civil Engineering.

Essentially, the computer constructs a probabilistic cost model of a project using the Monte Carlo gaming theory, a system of determining odds based on playing the same number a great many times.

Instead of quoting a single cost estimate early in the design stage, and having to live with it, architects and engineers can then predict the lowest possible cost, the highest anticipated, and what they actually expect the cost to be—and the probability of accuracy of their figures. Further, all during the design phase these estimates are refined.

This method, Mr. Picardi says, will clarify "one of the most misleading elements" in the industry—the cost estimate.

He believes the method will be useful in early recognition of the need for project modification to meet a fixed budget, or in avoiding unnecessary modification.

## HUMAN RESOURCES

The shortage of craftsmen in the 17 construction trades is expected to exceed 758,000 by 1975 and that manpower area is going to get more attention from the Labor Department.

In 1970, the most recent year for which complete figures are available, there were 161,000 construction trade apprentices in training—a 5 per cent increase over 1969. In all, there were 280,000 registered apprentices.

A new federal regulation on ratios of apprentices and trainees to journeymen goes into effect at the end of the month. It will

apply to contractors and subcontractors bidding on federal or federally assisted construction jobs in excess of \$10,000.

It directs contractors to make every effort to use apprentices in ratios already established by agreement with unions. Where there is no agreement, the ratio carried in the National Joint Apprenticeship Standards—established by labor and management and generally accepted by the Labor Department—will be used.

If there is no prior union pact or national standard, the ratio will be one apprentice or trainee to five journeymen.



## FINANCE

The long talked about federal guidelines on franchise operations are in the offing and it seems certain that fuller financial disclosure is to be the rule in the future.

The Federal Trade Commission plans hearings next month on the proposed rules. Among other things, they would require that a franchisor's salesman provide a potential investor with certain financial data on the initial sales contact, and that the investor be given a 10-day cooling off period, during which he could cancel his contract and get his money back.

Financial revelations required would include the franchisor's business and financial history, the number of franchises that operated at a loss in the previous year, and the amount of money the franchises have paid to the franchisor and why it was paid.

Claims of potential income or profit would have to be substantiated.

Faced with the prospect of enactment of conflicting and confusing state laws, franchisors favor the FTC proposals in principle, says Jerry H. Opack, executive vice president of the International Franchise Association. "However," he adds, "some items of disclosure present impossible or difficult burdens."

An individual franchisor, Gerald Entman, president of Network Cinema Corp. (Jerry Lewis Cinemas), says that he favors passage of fair legislation, but that the franchisee's responsibility shouldn't be lessened.

"It's an error to think that the franchisor should bear the sole obligation of the relationship," he says. "The effort should be mutual."

## MANUFACTURING

By building up inventory, 29 U. S. machine tool manufacturers are planning to get the jump on foreign competition.

Anticipating a surge in demand for numerically controlled tools to turn out consumer durables, the 29, who account for 50 per cent of U. S. production of these metal-working machines, are gearing up to promise delivery of their products three months earlier than normal.

Key selling point is that a buyer will be able to increase production a full quarter

sooner, and the new profits generated will defray installation and other startup costs.

Backing the manufacturers with advertising money is General Electric Co., which makes numerical control devices that automate the machines and increase productivity.

There are approximately 3.5 million machine tools in use in the U. S. An estimated 15,000 have numerical controls, the National Machine Tool Builders Association says.

Sales efforts are being pegged on this campaign slogan: "Buy Now Or Pay Later."

## MARKETING

P-O-P experts are forecasting their expertise will be more in demand in the future—partly because of their winning ways as "tie breakers."

The acronym stands for point-of-purchase advertising, which has had an 8 per cent annual growth in recent years while most other segments of the advertising world have been through rough times.

Howard Stumpf, president of the Point-of-Purchase Advertising Institute, Inc., says about 10 per cent of the \$20 billion spent annually for all types of advertising goes for displays, etc., located where the buyer makes his selection.

He predicts billings will rise as self-service merchandising increases.

One recent survey of customers patronizing mass merchandising establishments found that 30 per cent had made unplanned purchases, opting for name brands 81 per cent of the time.

Half of those who made such purchases said the primary reason was that they "saw it displayed." Another 30 per cent gave that as a secondary reason.

So when heavily advertised competing brands battle down to the wire, P-O-P experts say, their services and creations are often the "tie breakers" in the final decision.

## TRANSPORTATION

Two more states will create their own departments of transportation this year and the increased tempo of federal government planning activity probably will spur more of this type of reorganization.

Illinois' DOT begins operation this month and Maine's is scheduled to start functioning in July.

The consolidation of transportation agen-

cies and regulatory bodies by state governments began in California in 1962. Since then the following states have reorganized and centralized to some degree: Connecticut, Delaware, Florida, Hawaii, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island and Wisconsin. Seven more states are reported in various stages of preparing to make the change.



## Editorial

# Equal Treatment for All

We believe inflation must be stopped. So does a great majority of the public, according to all the polls.

We also believe the controls program is a necessary step in the right direction. So do most others, according to the polls.

Somehow, however, some things seem to be going awry. The Pay Board is approving outlandish wage increases for members of big unions. The Congress has opened loopholes for retroactive pay boosts. The Administration is planning a budget that will result in still another deficit.

Meanwhile, the Price Commission is holding pretty firm.

So who gets hurt?

The businessman, of course. And also the great majority of American workers, who do not belong to unions. And the millions of stockholders who may not get a fair return on their investments if things keep going this way.

Businessmen are willing to sacrifice to stop inflation. But the old American principle of equal treatment for all must apply.



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